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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
U.S. SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

PART 4—(Pages 1-1062)

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Nondepartmental Witnesses

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

WEDNESDAY, MARCH 17, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Warren Rudman presiding.

Present: Senators Stevens, Andrews, Rudman, Specter, and Burdick.

DEPARTMENT OF EDUCATION

GUARANTEED STUDENT LOANS AND STUDENT AID BUDGET

STATEMENT OF DR. EDWARD M. ELMENDORF, DEPUTY ASSISTANT SECRETARY FOR STUDENT FINANCIAL ASSISTANCE

ACCOMPANIED BY:
- JAMES MOORE, DIRECTOR, STUDENT FINANCIAL ASSISTANCE PROGRAMS
- GARY L. JONES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION
- DAVID BAYER, CHIEF, GUARANTEED STUDENT LOANS BRANCH
- JOHN HAINES, DIRECTOR, DIVISION OF POSTSECONDARY ANALYSIS

SUBCOMMITTEE PROCEDURE

Senator RUDMAN. The subcommittee will come to order. This morning the subcommittee will hold hearings on the higher education budget. This includes the budget for the guaranteed student loans and student financial assistance, which provide the lion's share of student aid in this country. We will also look at the budget for higher and continuing education which has a number of small but important programs; and the budget for higher education facilities fund, college housing loans, and educational research and training overseas.

As you can see, we have a great deal to cover. Our first witness for the guaranteed student loans and student aid budget will be Dr. Edward M. Elmendorf, the Deputy Assistant Secretary for Student Financial Assistance. Dr. Elmendorf, please introduce your colleagues, and proceed with a summary of your opening statement for GSL's and student aid. Your full statement, of course, will be entered into the hearing record. Please proceed.

Dr. ELMENDORF. Good morning, Mr. Chairman and Members of the Committee. Thank you for the opportunity to allow us to testify this morning on student aid.

INTRODUCTION OF ASSOCIATES

On my left is Dr. Gary Jones, the Deputy Under Secretary for Planning, Budget, and Evaluation. To his left, Dr. John Haines, who is the Director of the Division of Postsecondary Analysis. On my right, I have Mr. James Moore, the Director of Student Financial Assistance Programs.

PREPARED STATEMENTS

The statement we have is broken into two accounts. The guaranteed student loan account is a separate statement from the student financial aid and the student financial assistance account. I would like to request that both the statements be submitted for the record and that we be given an opportunity to summarize the statements.

Senator RUDMAN. They will be included.

[The statements follow:]

STATEMENT OF EDWARD M. ELMENDORF

I appreciate the opportunity to appear today to present the fiscal year 1982 supplemental request and the fiscal year 1983 budget request for the Guaranteed Student Loan (GSL) account. Our 1982 revised request is $2,752,012,000. Our 1983 request is $2,484,631,000.

The costs of the Guaranteed Student Loan program have soared in recent years. Despite measures taken in last year's Reconciliation Act, the uncontrollable entitlement costs of providing guaranteed loans have continued to grow dramatically. In 1977, the GSL program cost the Federal Government $357 million; by 1980, the cost was $1.6 billion, and unless Congress enacts significant changes in the program, the costs in 1983 will climb to $3.4 billion--a growth of over 110 percent in just three years and over 850 percent since 1977.

Moreover, the current high level of Guaranteed Student Loan subsidization gives federally guaranteed borrowing an artificial financial attractiveness. This tends to encourage exceedingly high levels of student debt, and to discourage saving and the use of otherwise available family resources, while unnecessarily inflating the level of Federal credit activity in the economy--thus contributing to high interest rates.

GSL program costs have now reached the point where this loan program is the single most costly item in the Department's budget, and it will probably continue to be so for the next few years. The major portion of the costs associated with this account is related to the large base of outstanding loans which have accumulated over the years, on which we are obligated to pay certain costs--specifically, interest payments for borrowers in school, special allowance payments to lenders, and default payments. Over 80 percent of our request is needed to meet obligations related to outstanding loan volume--much of which would not have been incurred had the excesses in this program been grappled with in earlier years. Between 1977 and 1981, loan volume under this highly subsidized program grew from $1.5 billion to $7.8 billion (many times faster than the growth in postsecondary education costs and enrollments), with large amounts going to borrowers from higher income families.

The legislative changes made by the Congress under the Omnibus Reconciliation Act last summer were positive steps in attempting to gain some control over this program. They were, however, too little and too late to prevent a major cost explosion in this program. Even with last year's program changes, we must request a supplemental appropriation for FY 1982 of $978,166,000 to meet obligations incurred under this program.

While this Administration strongly supports the Guaranteed Student Loan program as a valuable resource for funding postsecondary education, we are proposing a number of reforms which will reduce excess and unnecessary borrowing.

Specifically, we are requesting the following major legislative changes:

-- That undergraduate students borrowing be limited to only what they need to meet the cost of education, taking into account other financial aid and expected family contribution as determined using standard need analysis methods. Such need analyses are at present only required of students whose families have adjusted gross incomes exceeding $30,000. Our "full need analysis" proposal will provide equal treatment for all applicants.

-- That Federal special allowance payments be eliminated two years after the borrower leaves school. At that time the lender will establish the borrower's new interest rate. While this proposal will not result in immediate savings, it is exceedingly important to controlling future program costs. This provision will establish the principle that the taxpayer should not be expected to subsidize the interest on these loans far into the borrower's working career.

-- That graduate student borrowing be limited to the Auxiliary Loan program with a borrowing limit of $8,000 annually.

-- That the loan origination fee be increased from five percent to ten percent.

-- That the maximum insurance premium for direct Federal insurance be increased from one-quarter to one percent per year, and that guarantee agencies be charged a new reinsurance premium equal to one-half of their insurance premium income.

These changes are expected to result in savings of $309 million in 1982 and $912 million in 1983. These savings are predicated on our proposed changes becoming effective for loans made on or after April 1 of this year. I would like to emphasize that even with the reforms we are proposing, the estimated cost of the program during fiscal year 1983 will be approximately $2.5 billion. If our proposals are not accepted, we estimate that the cost will be about $3.4 billion--and that may be a conservative estimate.

With those figures in mind, I hope the Committee will carefully consider our budget request and the proposed program reforms accompanying it.

Fiscal Year 1982 Supplemental

As I mentioned earlier, we are requesting a 1982 supplemental appropriation of $978,166,000 for the Guaranteed Student Loan program. This amount would be necessary to meet program obligations this year if our legislative reform proposals are enacted effective April 1. If no program changes are made, we estimate that a total program appropriation of $3.061 billion will be necessary for 1982 requiring a supplemental appropriation of $1,287,154,000.

I would like to stress the importance of early Congressional action on our supplemental request for 1982. GSL program expenditures are almost entirely non-discretionary. The $1,773,846,000 appropriation for this year provided by the current Continuing Resolution will not allow us to pay our bills (primarily for interest subsidy and special allowance payments) very far into the quarter beginning April 1. The consequences of not being able to pay our bills would not be attractive. Lenders would probably be slow to provide new loan capital at a time when students are seeking new loans for academic year 1982-83. Furthermore, to the extent that interest subsidy and special allowance payments are delayed, "penalty interest" (required under section 438(b)(4) of the Higher Education Act) will accrue--further increasing program obligations.

I would be pleased to answer any questions you may have with respect to our fiscal year 1983 budget request, our 1982 supplemental request, and our related legislative proposals for the Guaranteed Student Loan program.

Student Financial Assistance

Thank you for the opportunity to present the fiscal year 1983 budget request for the Student Financial Assistance account which is proposed for funding under the Foundation for Education Assistance. The funds proposed for this account in conjunction with guaranteed loans will provide:

- An assurance that any needy student will have access to a postsecondary education.
- Priority consideration for disadvantaged youth for Pell Grant funding.
- Assistance under the Guaranteed Student Loan program to students who can demonstrate a need, and to parents of any undergraduate student, regardless of need.
- Continued support for campus-based work-study.

In recent years, increases in Federal student aid appropriations have outstripped both increases in enrollments as well as increases in college costs. College costs over the 1973-79 period increased at an average annual rate of just over 6 percent at four-year public institutions and slightly over 9 percent at four-year private institutions.

From 1966 to 1973, while higher education enrollments increased an average of 10 percent per year, Federal student aid appropriations increased an average 62 percent per year. Even when enrollment increases slowed to an average 4.4 percent during 1973 to 1979, Federal student aid appropriations continued to increase at an average annual rate of 58 percent.

One of the principal effects of the massive increase in Federal student aid appropriations in the 1960's and 1970's--even in the face of slowing enrollment growth--has been to shift more and more of the traditional responsibility for financing college costs from the family and the student to the Federal Government. Families and students no longer spend as much from current income nor save as much as in the past to help finance college costs.

To address the rising costs and Federal payments, the 1983 budget proposes to reduce the level of Federal contribution. States, institutions, families, and students will have to bear a larger share of the financing of higher education. This reduction in government subsidy will relieve the upward pressure on education costs and, as Federal deficits decline, will help to create a healthy economy more able to nurture a viable system of education.

Fiscal Year 1983 Budget Policy

Our student aid request is based on four principles:

1. That the family has the major obligation to meet the educational needs of its children.

2. That both the Federal Government and State governments have a role in bridging the gap between what the family can pay and the cost of attendance.

3. That the Federal priority should be to assure access and to target the aid available to the neediest students.

4. That self-help programs (in the form of loans and work) should remain available for students to assure educational choice.

I will now discuss each program in detail.

Pell Grants

We are requesting $1.4 million for the Pell Grant program (formerly the Basic educational opportunity grant program) in fiscal year 1983. This returns the level of funding for this program to approximately the same level of funding prior to the enactment of the Middle Income Student Assistance Act (MISAA). That Act significantly increased the cost of the program by increasing the number of students eligible to receive Pell grants and decreasing the amount of contribution expected from families for educational costs. We are also proposing the reduction of the maximum award to the pre-MISAA level of $1,600 per award year. Under current legislation, the maximum would rise to $2,300 per year.

In addition, we are proposing changes in the formula used to calculate Pell grant eligibility. These changes will result in continued support for students from lower income families while limiting participation of students from families with higher levels of discretionary income.

We have also included changes which will simplify the award calculation and provide for a more equitable award distribution where education costs are relatively low.

Supplemental Educational Opportunity Grant Program (SEOG)

We are proposing no new funding for the SEOG program in fiscal year 1983. Institutions may still make a limited number of awards under this program by transferring up to 10 percent of their Work-study funds into this account.

Direct Loan Program

No funding is requested for new Federal capital contributions for the Direct Loan program. However, institutions will still be able to provide loans to students under this program as a result of collections received from previous loan borrowers. It is estimated that these collections will provide $430,000,000 in loans in 1983 with loans averaging $700 to approximately 578,000 students. In addition, Guaranteed student loans will still be available.

A budget request of $2,500,000 is necessary to meet the Federal obligation to reimburse institutional Direct loan accounts for cancellations granted to borrowers who subsequently teach in specified low-income institutions. We are proposing legislation which will require Federal repayment to institutional revolving funds of only the institutional contribution to the Direct loan cancelled. Finally, we are proposing the elimination of cancellation provisions for any new loans made under the program. The teacher shortage, which this program was intended to address, is no longer with us.

Work-Study Program

The Work-study program is the third component of the grant, loan and work concept of student financial assistance. The Administration recognizes the significant role of student self-help in financing postsecondary education and the contributions of the Work-study program in assisting students to obtain jobs. We are requesting $397,500,000 for the program in fiscal year 1983.

State Student Incentive Grant Program

We are requesting no Federal funds for the State student incentive grant program. Under the matching requirement of this program, most States considerably overmatch the Federal contribution, suggesting substantial State-level commitment to the program. Of 41 States which overmatch, 23 provided at least 62 percent more than required. We believe the goal to stimulate every State to support need-based grant aid has been accomplished.

Fiscal Year 1982 Rescissions

In conjunction with our 1983 budget request we are proposing fiscal year 1982 rescissions of $141,500,000. These rescissions will reduce Pell grants to $2,187,680,000, Work-study to $484,000,000 and State student incentive grants to $67,540,000.

This request supports the President's overall budget reform plan to reduce Government spending and thereby control one source of inflationary pressure. To meet this level in Pell Grants requires appropriation language (in addition to that provided in the Continuing Resolution which expires on March 31) which will implement the first step of the statutory reduction formula, and then reduce each student's award by $80. This provides an effective maximum grant of $1,720 which is $50 higher than currently provided. These proposals will not reduce the number of recipients who would be awarded grants under the Continuing Resolution funding level, but would reduce the size of awards students receive. These changes would affect school year 1982-83.

This concludes my statement. My colleagues and I will be pleased to answer any questions you may have.

BIOGRAPHICAL SKETCH

NAME : Edward M. Elmendorf

POSITION : Deputy Assistant Secretary for Student Financial Assistance

BIRTHPLACE AND DATE : Oneonta, New York, August 1, 1939

EDUCATION : Hartwick, College, 1961, B.A.
Springfield College, 1966, M.A.
University of Massachusetts (Amherst) 1975, Ph.D.

EXPERIENCE :

PRESENT : Deputy Assistant Secretary for Student Financial Assistance

1974-1981 : President, Johnson State College
1978-1980 : Adjunct Professor of Education, Johnson State College
1973-1974 : Acting President, Vice-President for Administration, Johnson State College
1966-1977 : Dean of Admissions, Johnson State College
1965-1966 : Graduate Assistant, Springfield College
1961-1965 : Personnel Office, U.S. Navy Reserve

ASSOCIATION MEMBERSHIP :

1976-1977 : President, Vermont Higher Education Council of Presidents
1971-1973 : Board of Directors, New England Personnel and Guidance Association

GUARANTEED STUDENT LOAN ACCOUNT

Dr. ELMENDORF. The guaranteed student loan account for fiscal year 1983 has in it a request for funds in the amount of $2,484,631,000; and for 1982, a supplemental request attached is asking for $978 million to bring the total of the revised request to $2,752,012,000.

As you know, we believe that this program is a very, very crucial program for students. You also, I'm sure, are aware of the dramatic growth it has experienced in recent years as one of our entitlement programs. Over $29 billion has been loaned under this program since its origin. Right now we have approximately $19 billion in our loan portfolio—80 percent of the cost of maintaining that $19 billion portfolio—is attributable to borrowers who are now in school or in repayment. The remaining 20 percent is attributable to costs incurred on loans for new borrowers. That percentage for new loans we feel could have been a great deal more if some controls had been placed on the program sooner.

In 1977 the GSL program cost the Government approximately $357 million, but by 1980 the cost of that program had grown dramatically to $1.6 billion, and unless Congress enacts significant changes in the program the cost in 1983 will climb to more than $3.4 billion, a growth of over 850 percent since 1977.

So far as our foundation proposal is concerned, the budget for the guaranteed student loan program is $2.5 billion of the $4.3 billion allocated for student financial aid programs. It represents 28 percent of the total foundation budget.

The legislative changes enacted by Congress under the Omnibus Budget Reconciliation Act last summer were positive and laudatory in attempting to gain some control over the program. They were, however, insufficient to prevent major cost explosion of the program. Even with last year's changes, we must request a supplemental of over $978 million for 1982.

GSL REFORMS

We are proposing four major reforms in the program. I will briefly cover those.

First, that we implement a full-needs analysis. Undergraduate student borrowing should be limited only to what is needed to meet the cost of education.

Second, that the Federal special allowance payments be eliminated 2 years after the borrower leaves school. Although this would not result in immediate savings, we do feel it would help in controlling future program costs.

Third, that graduate student borrowing be limited to the auxiliary loan program.

And, fourth, that the loan origination fee be increased from 5 to 10 percent. Those are the four major changes.

Another change would provide that the maximum insurance premium for direct Federal insurance be increased from one-quarter to 1 percent. The guarantee agency would be charged a new reinsurance premium.

The effective date on these changes is April 1, 1982. We can realize approximately $309 million in savings in 1982 if those changes are effected. The savings in 1983 are approximately $912 million.

The fiscal 1983 proposal projects approximately $10.3 billion in loan capital being provided for 4.6 million recipients at a cost of about $2.485 billion.

Under the 1982 supplemental request, we are asking for $978 million. If no program changes are made, we estimate the total appropriations of about $3.01 billion will be necessary for 1982, and if the changes we propose are not effected by April 1, that cost would increase to $1.3 billion.

Under the 1982 appropriations, GSL would provide $8.7 billion in loan capital, for 3.9 million recipients, at a Federal cost of $2.8 billion.

That encompasses the summary of the GSL supplemental for 1982 and the full budget request for 1983.

Senator RUDMAN. That would be a good place to stop and I think to keep this hearing as orderly as we can in terms of subject matter. We have questions about the proposed supplemental, so why don't we do those at this time and then go on with the rest of your presentation.

The amount of your request is $978.1 million, together with language to amend the GSL authorization makes substantive and somewhat controversial changes in the program. You have outlined the changes.

TIMING OF GSL LEGISLATIVE PROPOSALS

What, in your view, would be the effect if there were failure by the Congress to provide any supplemental at this time?

Dr. ELMENDORF. We would be overobligating money sometime in the beginning of the second quarter after April 1. We would incur an interest penalty to lenders 30 days after claims are submitted which we could not cover.

Senator RUDMAN. What would be the effect if we provided a supplemental but none of the language which some view would be subject to a point of order?

Dr. ELMENDORF. The understanding I have is that the cost on that program without the reforms that we propose would require us to request a supplemental of approximately $1.3 billion.

Senator RUDMAN. Without that language?

Dr. ELMENDORF. Without the language.

Dr. JONES. It would be an increase of $309 million.

Senator RUDMAN. $309 million above——

Dr. JONES. $309 million above $978 million.

Senator RUDMAN. Now you're proposing in these changes that graduate students borrow from an auxiliary loan program which charges 14 percent interest and requires interest payments while in school. Be that as it may, it's our understanding that only 13 or 14 States have an auxiliary loan program presently in place.

AVAILABILITY OF LOANS

What do you intend to do to ensure the availability of these loans across the country?

Dr. ELMENDORF. We're speaking now of the ALAS loans?

Senator RUDMAN. The auxiliary loan program.

Dr. ELMENDORF. We have communicated with the guarantee agencies who would be the prime agents for guaranteeing these loans with lenders of various States. We have 23 State agencies that are operational, of which 11 are currently processing ALAS loans for students. We know that approximately 14 additional States will have authority to process these loans by the end of April, and another 14 States will be onboard after April and before the beginning of the borrowing year.

We have also contacted agencies asking them if they would wish to go into a State where the State chooses not to exercise its authority to bring that program on-line. We have three interested parties willing to go into States that choose not to support that program and develop programs in those States.

We have already noted the increased volume in that program, despite the fact that is not our usual high-volume time. Most of the loan volume for this school year has already occurred.

Senator RUDMAN. To what, then, would you attribute the sudden surge of the use of this program, the facts being as they are at this time?

Dr. ELMENDORF. We understand that with congressional action during the Omnibus Budget Reconciliation Act to include both graduate students and professional students in the program that there's accelerated interest in the program. There's been greater student borrowing already this year than in the previous year. We've nearly surpassed this year the total amount of volume we experienced last year and this year we have nearly equalled the total amount of student and parent borrowing last year. And again this is at a time when there is no direct new incentive to borrow into that program at this time.

Senator RUDMAN. Well, do you assume people are trying to establish relationships with the program for the long pull of their graduate careers? Do you think that's a reason?

Dr. ELMENDORF. I would make that assumption, although I have no data to support that specific assumption.

Senator RUDMAN. Well, I can't imagine why people would go into that program while the other program is still available this year.

Dr. ELMENDORF. We must keep in mind, too, that parents can still borrow under this program and parents are borrowing what's considered to be the parent contribution. That's one of the major reasons for parents to borrow. It eases the cash flow for them in terms of trying to come up with a lump sum payment to a college or university in September and again in January or February.

PARTICIPATION BY STATES

Senator RUDMAN. So your general answer is that by the time that this phaseout, if approved, were to occur, from adding the numbers as you gave them to me, the majority of the States, in your view, will have this program in place and, further, in those that do not there are institutions or agencies available that will move into those States to pick up the program in those States?

Dr. ELMENDORF. Yes; we have those that have indicated they are interested in moving into those States. We have at this time three States that have indicated they would not——

Senator RUDMAN. Which States are those?

Dr. ELMENDORF. I believe Arkansas, Oklahoma, and Puerto Rico.

Senator RUDMAN. So is your position then that although it would be at a higher cost that the fear that people who want to pursue graduate education will in fact be cut off from resources and will have to drop out is an incorrect charge? It might be more expensive, but the claim of the Department is that the funds will be available to graduate students?

Dr. ELMENDORF. I believe that funds under the ALAS program will be available in sufficient quantities in sufficient States to make that statement; yes, sir.

There's another not well-known piece of that legislation which Congress passed. If things continue as well as they have in terms of the T-bill rate, the interest rates on those loans in another 6 months, by

November 1982, would drop to 12 percent rather than 14 percent. We have already experienced 5 months in the economy with a T-bill rate that's been at 14 percent or less. If that continues for 52 weeks on the average, then we will, in fact, experience a drop in the interest rate of that program under the law to 12 percent.

Senator RUDMAN. You say you believe that it will be available. Have you done any assessment at all to determine whether or not lending institutions in these States will be willing to make the loans in the volume that will be necessary, and particularly I guess what I'm asking is, sure, the programs will be in place, there might be money there; but the question is, in a period of somewhat tight money, will there be sufficient resources available from these lending institutions? Have you done anything to get any statistical data to back that?

EVIDENCE OF INTENT OF STATES TO PARTICIPATE IN GSL

Dr. ELMENDORF. Let me introduce Mr. David Bayer, who's the Chief of the Guaranteed Student Loans Branch and who is, in fact, in charge of that program and who has been collecting that kind of information. Mr. Bayer.

Mr. BAYER. Senator, at this point in time there really is not an awful lot of data available, mainly because a lot of the States are not yet operational. We have talked with lenders in some States who have indicated some concerns about the program, but we have also seen other lenders indicate they feel it will run.

Furthermore, we have statutory authority in the law right now whereby the State guarantee agencies are legally authorized to borrow from the Student Loan Marketing Association to obtain funds to make loans for those students or for those borrowers who might not otherwise be able to qualify for loans through participating lending institutions.

We also had the authority in the law where Sallie Mae itself can be requested by the Secretary to make these loans to fill the gaps in those areas where commercial lender participation is not adequate.

So one way or another, I think we have the statutory authority to be able to provide the assurance that PLUS loans will be available for the graduate students and other borrowers under that program.

Senator RUDMAN. Well, to take a worst case scenario, assume that because of economic conditions and money supplies and interest rates and a cut of opportunities for lending institutions to loan their money, that a very small percentage of your estimate of money available from commercial lending institutions becomes available. Is there sufficient lending authority within the statutory agency to make up that gap, or would you have to come to Congress or should you come to Congress now to look at that lending?

Mr. BAYER. There is sufficient statutory authority now to enable the States to borrow sufficient funds from Sallie Mae to meet whatever demand might exist in the event the commercial lenders do not participate, and there's no limit at all on the amount of loans that Sallie Mae could make under its authority to be a direct lender.

POLICY REGARDING GRADUATE LOANS

Senator RUDMAN. Dr. Elmendorf, let me just come back—assuming that those answers are all correct and assuming that even at a higher rate the funds will be available, considering some of the testimony that we have had in other committees, particularly before the Defense Appropriations Subcommittee, of the shrinking base of highly qualified students, of citizens of this country who are pursuing doctorates in some of the more technical areas, considering the fact that an enormously high percentage of those who are currently enrolled in doctoral programs in this country in the scientific disciplines are foreign students, considering that the whole technological base of this country is coming into very serious question both in the military sector and in the private sector, why then the decision of the administration to take this position toward graduate student loan programs?

Dr. ELMENDORF. Let me see if I can answer that in two parts. Part one, let me go back to the fact that to become a graduate student one must first have been an undergraduate student. Making the difficult choices that we did, we sought to preserve what we considered to be the heartbeat of the GSL program for undergraduates, and that is the in-school subsidy. The cost of doing this is approximately $1 billion. That's a very costly incentive. It's a subsidy. It's one that's important and it's one that insures a flow of students through the undergraduate years to the point where they become graduate student applicants to colleges or universities.

The second point, I've looked at the decline in graduate student enrollments not necessarily from the pont of view of meeting technological needs for the Nation. The simple fact is that at Harvard, for example, you find they are now finding their graduate students from among those who would rather spend 2, 3, or 4 years working on the job before they begin their graduate endeavors. In many cases this is being done with the support of corporations like IBM, General Electric, and Eastman Kodak. In fact, I know of some very strong moves that are being made in all of those corporations to encourage graduate study.

In a free market enterprise, it's my opinion that corporations and industry and society in general will support those critical needs. I think there is room for us to consider as a government some of those important needs from the point of view of how we wish to focus our subsidy. We have done that, in essence, in the national defense student loan program as it began in 1958.

Mr. Moore, I think, can recite the history of that program and I think it was a national commitment to the very kind of needs that you just expressed.

FOCUSING GRADUATE AID

Senator RUDMAN. Well, at the risk of making some of my friends in the arts unhappy, liberal and other arts, I would simply ask you: Why did not the administration consider at least a limited graduate student loan program under the most stable rates for students, for instance, in the discipline of physics, biochemistry, mathematics and other forms of engineering where we obviously are suffering a very critical need and, if we are to believe the assessments of Soviet military buildup, where we are going to need a great many people. We may pull everybody out of the private sector to work on military projects, thus putting us at a further competitive disadvantage with industrialized nations such as West Germany and Japan who don't have that kind of a problem of allocation of intellectual resources? Why don't we consider taking those areas where we have shortages where we have many bright students without financial ability who don't want to work a couple of years after 4 years, but want to continue? Why did we not at least target it? Is it that politically unpalatable to support physics and chemistry and math and not French and Spanish and philosophy and music?

Dr. ELMENDORF. You're talking about a question that has national implications and perhaps a national——

Senator RUDMAN. I think this is a good forum to discuss it.

Dr. ELMENDORF. And it needs a national forum for discussion. I think all of those are legitimate questions and should be considered in the future.

Senator RUDMAN. Well, I believe that there will be some discussion on the floor of the Senate and in this committee about that very view because the statistics are frightening in terms of what we're producing in terms of qualified people to fill some of the important positions that exist in this country. I, for one, believe that anything that we do that will reduce the number of qualified people we have in those disciplines I speak of will, can, in the long run, only do harm to this country.

I understand what you're trying to do and I generally would be supportive of some parts of it, but I do think that someone ought to take a careful look at the number of people in some of those areas and whether or not there may not, in fact, be a better way to handle it.

PAYMENTS ON LOANS BY STUDENTS

Dr. JONES. Mr. Chairman, may I just add that all we're suggesting under the ALAS program is for the full-time graduate and professional student to pay, if the T-bill rate goes down, 3 percent more on the principal. That's the essential difference, because a full-time graduate student need not pay anything on the principal and perhaps not even pay the interest while they are in school if the lender concurs.

Senator RUDMAN. My understanding of that is somewhat different. I thought that one of the problems we have with this proposal is that the payments would be made while in school in the graduate program. Am I incorrect on that?

Dr. JONES. For a full-time student, they are not required to pay on the principal until they are no longer a full-time student—graduate or professional student.

Senator RUDMAN. They pay interest payments only?

Dr. JONES. They pay interest payments only, but if the lender and the State guarantee agency agree, they do not even pay the interest.

Senator RUDMAN. Well, I'm not sure that would happen.

Dr. JONES. Well, that may be true. The option is there. But what we are suggesting is that a 12-percent interest payment only is not a very large payment on a monthly basis. The press reports have been giving the impression that there will be $500 or $1,000 payments per month, and we are simply asking that the perception be corrected. There may be a payment if the lender requires, but it's only the interest payment, and it could be in the neighborhood of $75 to $100, depending on the size of the loan.

Senator RUDMAN. I believe that that's correct, I think that some of the statements have been exaggerated; but nevertheless, we are talking about payments of anywhere from $600 to $800 a year. That's what we're really talking about.

Dr. JONES. Well, we are not suggesting that there won't be payments of $600 or $800, but we are also suggesting that some people can come up with $600 or $800 per year in order to take advantage of a $5,000 or $8,000 loan. There can be parental contributions for nothing more than the $600 or $800. There can be summer work. There can be campus work. A $600 or $800 spread over a 12-month period of time is not a large obligation.

Senator RUDMAN. It certainly is not a large obligation, but the thing that concerns me and concerns me more than a little is that there are graduate students who come from very poor families who have no resources, who have all they can do to just keep a roof over their heads and food in their stomachs, and I say to you, for the very poor student who is a brilliant mathematics graduate student or physics or biochemistry student—and those students I think we have to be concerned about. Those are the ones that I'm concerned about.

I think a great many graduate students can handle this, but for those who can't, I think we ought to be very careful to make sure we don't in any way return to a day when intellectual achievement was directly proportional to the financial net worth of one's family. We have to be very careful not to do anything to return to that, all the while trying to make improvements in these programs, which I fully concur with.

ADDITIONAL AID FOR GRADUATE STUDENTS

Dr. JONES. We concur with that, too, Senator, but I would suggest also that there are State and institutional obligations that may be expressed here through this program and there are institutions which need to assess how many dollars they can provide for student assistance. Perhaps they need to reallocate some of their resources from different things into student financial aid.

May I have Mr. Haines respond to one thing briefly, please?

Senator RUDMAN. He certainly may.

Mr. HAINES. Mr. Chairman, it will be possible for full-time graduate students in some instances to capitalize their interest payments and start paying off those interest payments after they graduate, so in that case they wouldn't be saddled with payments that they would otherwise have to make while they are in school.

Senator Rudman. Well, that would depend on the lending institution?

Mr. Haines. That does depend on the lending institution. Also, I might note that most graduate students don't receive too much help from their parents. Most parents say, "Hey, I helped you through undergraduate school." So students coming from both poor and wealthy families pretty much pay for their own education.

Senator Rudman. Well, with one large exception I want to just say to you, and that is that those who come from middle or upper income families, if push comes to shove, they have someplace to go, and the poor student has no place to go. I think that distinction has to be made.

GSL NEED ANALYSIS

I'd like to move on to the guaranteed student loan program, your needs analysis proposal. How much do you believe that this provision is going to limit loan volumes compared to the current system; and can you tell us how much this program will cost in fiscal years 1982, 1983, and 1984?

Dr. Elmendorf. The answer to the first question is we do not feel there will be a significant reduction in loan volume as a result of imposing a full needs test. In fact, of the proposals or reforms that we have developed, we think this one probably—and this is a subjective assessment—is least resisted by the financial aid community. In fact, for those institutions that are high-cost institutions, this proposal allows what isn't allowed now. That is to borrow up to the full amount of need, including the parental contribution. I think that's an important consideration to make.

The needs analysis, if enacted by April 1, would save approximately $16 million in 1982 and about $59 million in 1983.

Senator Rudman. Could you tell us how much loan volume would shrink under that needs analysis, what your estimates are?

Dr. Elmendorf. Mr. Bayer, do you have any assessment on that?

Senator Rudman. If you don't have that, we would like an accurate assessment for the record.

Mr. Bayer. I think we could provide that for the record. It's clear that some students would not qualify under the needs assessment who would qualify under the present $30,000 ceiling. But we do not have good, accurate data on that. We would provide the best estimate for the record.

[The information follows:]

Needs Analysis Extension

We anticipate that extension of the current needs analysis system to all GSL borrowers will reduce program volume by about 2 percent—approximately $125 million. Those borrowers who are likely to have their eligibility reduced are those from small families with no other children in college, with incomes above $20,000. Of course, the cost of attendance is extremely important in determining a borrower's remaining need for a GSL. Borrowers in the situation just decribed are even more likely to have their eligibility reduced if they are attending relatively low-cost institutions.

EXTENSION OF NEEDS ANALYSIS

Dr. Elmendorf. The problem with that, sir, is that if we want to go back and compare with 1981 before the Congress put in the $30,000 over and under cap, we would need data. Unfortunately, we do not have such data, because it started only October 1, 1981, so data for the $30,000 over and under provision is available only for two quarters. And the only thing I can say about the first two quarters is that the borrowing for the first two quarters of this fiscal year, with the congressional imposed cap, is at the same level, if not greater, than it was last year.

GSL DEFAULT RATES

Senator Rudman. Let's talk for a bit about the default rates. We, of course, believe, as I'm sure you do, that every action has to be taken to prevent default and collect on these defaulted loans. In fiscal 1981, could you tell us the default rate for the GSL program?

Dr. Elmendorf. Yes, sir. The fiscal 1981 default rate on the federally insured loans—now these are not the loans guaranteed by guarantee agencies—was about 15.5 percent lender default claims. Net default rate is 9.1 percent. That's taking the collections for the year and netting them against the total.

Senator Rudman. What was the net cost then to the Government? That 9.1 percent converted into money—what did it cost?

Dr. Elmendorf. I would have to get another number and divide that percentage. I could do that for the record.

Senator Rudman. I wish you would. We think that's very important.

[The information follows:]

DEFAULT RATE

First, it needs to be understood that the 9.1 percent default rate figure applies only to the Federal insured student loan program—FISLP—which is the component of the GSL program fast being replaced by the guarantee agency insurance/Federal reinsurance system. Second, this net default rate is a cumulative figure reflecting default claim payments and Federal collection receipts over the 15-year history of the program.

The 9.1 percent net rate represents a ratio whose numerator—$483 million—is the total 15-year FISLP default inventory—$824 million—minus the sum of defaults which are in repayment status—that is accounts on which payments are being made—which have been paid in full, compromised, written-off, or placed in litigation. The denominator is the total of all FISLP loans which have entered repayment status since the inception of the program—$5.3 billion. Thus, the 9.1 percent figure reflects a net cost to the Government of $483 million over a 15-year period, not taking into account insurance premium receipts.

In fiscal year 1981, net FISLP default costs totaled about $30 million. Net Federal default and related administrative costs for the entire GSL program in fiscal year 1981 totaled about $170 million, which was only about 7 percent of total GSL program costs.

Senator Rudman. What have you done to detect and reduce fraud and abuse in this guaranteed student loan program?

[The information follows:]

Fraud and Abuse

In a complex program whose annual participants include over 3.5 million new borrowers, 8,000 schools, 13,000 lending institutions, and over 50 State-level guarantee agencies, there is considerable opportunituy for unintentional administrative error/abuse as well as for intentional fraud by program participants. Considering the size and complexity of this program, we believe the amount of intentional fraud and program abuse is relatively low.

We believe that the greatest program "abuse" is unnecessary and excessive GSL borrowing, which is related to the extremely high level of Federal interest subsidization, and is a serious form of legal program abuse. Under the current law, a borrower and his family may use the GSL program as a source of zero-interest borrowing during the in-school period—and low interest thereafter—while leaving otherwise available funds invested at a market return. At times of high money market rates, the incentive to use the GSL program for essentially investment purposes is especially strong. We believe that the skyrocketing GSL volume growth of recent years—300 percent growth between 1978 and 1981—at a time when college enrollment costs have been relatively stable indicates that many of these loans are being taken out because of the subsidy and not because they are really needed. The Department's legislative proposals would address this problem by imposing a need test on all regular GSL borrowers and by raising the origination fee—thus slightly reducing the subsidy level.

The complicated problem of GSL defaults undoubtedly involves some intentional program abuse. New statutory authority to use IRS address information to track defaulters is now being used by the guarantee agencies. In the direct Federal insurance program, we are now implementing a system of reporting defaulters to consumer credit bureaus. Borrowers are now warned on their federally insured loan applications that default could result in serious harm to their ability to receive consumer credit. However, we would point out that Congress has not required, or given the Education Department authority to require, similar reporting to credit bureaus in the case of guarantee agency insured GSL's—which now constitute over 90 percent of new GSL volume. In general, we believe that many defaults are related to excessive debt. Again, we believe that our legislative proposals would help reduce both unnecessary debt levels and potential defaults.

Isolated instances of intentional program abuse and outright criminal fraud by borrowers, school officials, and lenders are identified and pursued through Department program reviews and audits, and through Inspector General and Justice Department investigations. Typically, these cases involve the submission of false information in connection with loan application or default claims. Recently, one major GSL lender pled guilty to making false statements to the Government relating to default claims, and was fined $31,000 under the new criminal penalties provisions of the Higher Education Act. This case also involved a $3.75 million civil settlement with the Department.

Dr. Elmendorf. Would you like me to give the other part of the answer?

Senator Rudman. Yes, fine.

Dr. Elmendorf. On the guaranteed student loan, the guarantee agencies also now have loans out there, over $8 billion in loans. Their default rate is 10.3 percent, which nets off to 3.7 percent when you net out collections. The total for both programs is about 12.3 percent or 5.8 percent net.

Senator Rudman. Would you give me the last figure again—not the very last figures——

Dr. Elmendorf. The guarantee agencies?

Senator Rudman. Yes.

Dr. Elmendorf. The guarantee agencies default rate is 10.3 percent.

Senator Rudman. And the volume was what?

Dr. ELMENDORF. That is on matured loans of $8.458 billion.

Senator RUDMAN. And that was 10-some percent?

Dr. ELMENDORF. Yes, sir.

Senator RUDMAN. That's about $800 million.

Dr. ELMENDORF. $870 million, to be exact.

Senator RUDMAN. Then it came down to a net of what—3 percent?

Dr. ELMENDORF. On net, that's 3.7 percent.

Senator RUDMAN. So that would be about a quarter of a billion is what it costs.

Dr. ELMENDORF. Mr. Bayer has the number.

Mr. BAYER. In fiscal 1981, the amount of default claims under the federally insured phase of the program was approximately $86 million. Under the guaranteed agency programs where we have reinsured the agencies, the cost was approximately $170 million.

Senator RUDMAN. It's very interesting to note the difference in the rate of default between the two programs. Why?

Mr. BAYER. These default rates are cumulative figures and until the 1976 legislation and the implementation of that, most of the large proprietary school chains operated under the Federal program and that was where the majority of the loans were. The guarantee agencies for the most part would not approve correspondence schools or approve proprietary schools under their programs prior to the 1976 amendments. Now most of them do. This is one of the reasons why their defaults are probably going up. Because we no longer have as much Federal program volume in the country, our actual dollars spent are going down.

FRAUD AND ABUSE

Senator RUDMAN. My last question then, about fraud and abuse within the program—I'm not talking about financial default; I'm talking about fraud and abuse—what is being done in that area, particularly the area of abuse, I think probably more than fraud, although the line is closely drawn in this program.

Dr. ELMENDORF. One of the major preventive aspects is to seek the needs analysis reform that we have asked for in the 1983 budget. We feel that undetected or difficult to detect abuse of the program occurs when students who, in fact, don't need the funds, are able to borrow those funds and use them for purposes other than education. There's not a good record and the Inspector General has been able to find that documented in many cases. In the past lenders and correspondence schools and others have, in fact, been more the subject of our investigations.

We have lender-reviewers in every regional office around the country who, in fact, review banks to make sure that the loans are being given legitimately. We have completed over 2,800 audits of institutions in the last 3 years and netted over $24 million from that. We have conducted program reviews that have netted back to the Government more than $53 million in the last couple years. We are looking at it from two points of view. One is to get on the preventive side of the problem. We do checks and balances well ahead of loaning the money because it's always much more difficult to get the money back after it's out there. While it's out there we have our regional office staff with about 400 people throughout the 10 regions doing program reviews, lender reviews, audits, and collections.

Senator RUDMAN. You now have authority to allow private collection agencies to collect on these defaulted loans and disclose the mailing addresses of taxpayers who defaulted on student loans. What use has been made of the authority?

Dr. ELMENDORF. Yes, sir; we awarded a contract on November 23, 1981 to two private collection agencies. The startup date was January 1, 1982. We have given 3-year contracts with 2-year options to Gulf Coast Service of Houston, Tex., for the Atlanta and Chicago regions, and Payco American for the San Francisco area. We have turned over—or will turn over in the first year—over 270,000 accounts to them valued at more than $425 million under the FISL program.

In the NDSL program, another 140,000 accounts the first year valued at $122.[illegible] million will be referred.

Over the 3-year period we expect to refer more than 864,000 loans with a dollar value outstanding of over $1.39 billion to those agencies for collection.

SELECTION OF COLLECTION AGENCY CONTRACT

Senator RUDMAN. I wonder if you could tell us why you chose large collection agencies, the ones that you have contracted with, opposed to smaller, local credit bureaus?

Dr. ELMENDORF. The total request for proposal was written to allow for what we felt was a fair competition for large or small businesses. Small businesses, if they wanted to combine their resources could make one request or bid. The bidding, we felt, was fair. The technical proposals were fair and roughly equivalent, and the dollar return to the Government, which is one of the key things we looked at, was considered to be exceptionally good. Looking at all of the evidence on the technical quality of the proposal and on the dollar return to the Government, the vendors that were selected, we felt, would give the taxpayer and the Government the greatest return on their dollar.

Senator RUDMAN. Did you do an analysis of the effectiveness of these large agencies versus the smaller regional—when I say smaller, they are not necessarily smaller, but they are smaller than the ones that were eventually contracted with—was there an analysis done to ask any of these people to supply information to indicate their effectiveness before the choice was made?

Dr. ELMENDORF. I believe there was. I'm not sure but I think the contracts and grants office would be able to provide that information.

Senator RUDMAN. I would like that in detail for the record. If any work was done to assess the effectiveness of a major national collection agency versus a small, local agency. The committee would like to have that.

[The information follows:]

COLLECTION AGENCIES

The Department concluded, based on its own collection experience and based on the pilot project, that the Department's interests would be best protected if we entered into agreements with a few agencies capable of handling the large workload rather than with many smaller agencies whose efforts would require greater coordination. The flow of information could be better controlled, the Department would have better control over agency performance, and monitoring would be less costly. Moreover, we felt that agencies with national capabilities would be better able to handle loan portfolios which are national in terms of defaulter location. Also, we felt that extensive automated data processing capability is needed to track the large volume of accounts being transferred to the agencies, to update account information, and to facilitate the exchange of information between the Department and the agencies.

Inasmuch as one group of small collection agencies—banded together under a consortium arrangement—did protest the request for proposal after it was published in the summer of 1981, we believe it is appropriate to mention the conclusions of the Comptroller General of the United States as expressed in his decision memorandum dated December 23, 1981, denying these protests. In brief, the protestors asserted that the need for offices in each of the contract-designated cities was overly restrictive and limited the competition. The Comptroller General noted that Government procurement officials are generally in the best position to know the Government's actual needs, and supported the Department's contention that the requirement was not overly restrictive. The Comptroller General also agreed that the requirement that the offices be in the contract-designated cities was not unreasonable given the need for a close and coordinated relationship between the Department's regional offices and the collection agencies.

The Comptroller General also determined that the hardware and software requirements were not unreasonable or overly restrictive. The charge that the programing requirements of the solicitation favored the pilot project collection agencies was dismissed because the type, age, and volume of loans under the pilot project and the newer collection agency effort are different. Moreover, the Comptroller General recognized that as long as incumbents are not given preferential treatment, their competitors have no basis to object merely because of their having the equipment utilized in the prior contracts.

Finally, in response to general objections to monitor placement, training, quality control, and internal updating of files, the Comptroller General agreed that since the collection agency cannot authorize loan adjustments or deferments, the Department's requirement of an on-site monitor to make immediate decisions would facilitate loan collection, and that approval of the agencies' training programs would assure the collector's familiarity with applicable laws and regulations and the proposal's scope of work. Given the volume of work to be handled, the Comptroller General agreed that the Department has a legitimate interest in the contractors' quality control and its capability to update its collection files.

EMPLOYMENT OF FORMER DEPARTMENTAL OFFICIAL

Senator RUDMAN. Now, I'm informed that the contract officer who I believe was Mr. Coluzzi, has now left the Department and in fact has taken a position with one of the major collection agencies that received a contract. First, would you tell me whether or not that's true?

Dr. ELMENDORF. Mr. Coluzzi, I believe, opted for the early-out retirement. Mr. Moore, I think, can bring you up to date on that.

Mr. MOORE. Mr. Coluzzi retired on or about January 8 of this year, along with a number of other people who left under an early-out option. He is, as I understand it, manning the Washington office for Payco American.

Senator RUDMAN. For who?

Mr. MOORE. Payco American, which is one of the agencies we have had contracts with over the years. One of these contracts goes back quite far in time, that is to manage the collections program under a Cuban loan operation. We had that program in the 1960's and it was terminated about 1971 or 1972. His duties, as I understand it, are simply that of operating a Washington office for the organization. I understand that he has been put through the potential conflict-of-interest drill which applies to all people who terminate Federal employment and it has been determined, as far as I understand it, that none exists.

Senator RUDMAN. Well, let me be more specific. I understand that this company that this gentleman now works for had done prior work for your agency.

Dr. ELMENDORF. That is true, sir.

Senator RUDMAN. That's fine. Were they awarded in the last year or so, or particularly in the last few months, one of the major collection contracts of the program that I'm now discussing with you?

Mr. MOORE. Yes; the answer to that is, "Yes."

Senator RUDMAN. The answer is, "Yes"?

Mr. MOORE. Yes.

RELATIONSHIP OF EMPLOYMENT TO FORMER POSITION

Senator RUDMAN. So we have a situation here where this gentleman—and you correct me if I'm not stating this correctly—but this gentleman was in the office that negotiated a rather substantial contract with this new company; incorrect or correct?

Mr. MOORE. A little of both. We don't handle the actual work of the contracts negotiation in the Office of Student Aid. That's handled in a separate grants and contracts office for the entire Department.

Now Mr. Coluzzi did do a good deal of work in the original development of the specifications for the RFP a year ago. But as to the actual negotiations, the technical review panel, and that sort of thing, that's under the direction of a separate contracts office.

Senator RUDMAN. Well, let me state it another way. During the past year, Mr. Coluzzi developed specifications for a collection contract of a major nature to start collecting hundreds of millions of dollars of student loans in default. Is that accurate?

Mr. MOORE. That is accurate.

Senator RUDMAN. So he was involved in that development of those specifications. Subsequently, this company—and their name again, please?

Mr. MOORE. Payco American.

Senator RUDMAN. Payco American received one of two major contracts to collect under the student loan program?

Mr. MOORE. That is true.

Senator RUDMAN. Third, this gentleman, Mr. Coluzzi, then took early retirement and went to work for Payco American in Washington.

Mr. MOORE. That is true.

Senator RUDMAN. All right. Now I don't want to make any allegations about that being right or wrong. I was a prosecutor for far too long to make those kind of irresponsible allegations. Let me make some observations, however.

There is a considerable body of thought that believes that the effectiveness of your collection program might well be impaired by the nature of national collection agencies; that, for instance, if you have a student who lives in my hometown of Nashua, N.H., that the credit bureau in that city would be far more effective in collecting that than a national agency working out of an office in New York or Washington. In addition, serious questions have been raised as to whether or not those small regional and local collection agencies, in fact, were sought out. You and I both know that these agencies where they are in the countryside don't know what's going on in Washington. You have to seek them out. Small business generally doesn't get pursued in that way and does not have Washington offices with Washington representatives who in many cases formerly worked for agencies who are awarding contracts. We all know that.

I would like to see for the record—the subcommittee I'm sure would like to see for the record a submission that would indicate to us the opinion of your general counsel. I would like a complete record of what happened here. I want to see the conflict-of-interest evaluations that were made. I want to see copies of the correspondence that were involved.

I make no allegations of wrongdoing whatsoever, but I really believe in an area that is this important the subcommittee would like to know all the facts in the area. So if you would supply to me at your convenience, I would appreciate it.

Mr. MOORE. We will do that, sir.

[The information follows:]

STATEMENT IDENTIFYING NAZZERINO GOLUZZI

Mr. Nazzerino Coluzzi was an employee of the Department/Office of Education from 1966 until January of 1982. During those years he was a senior supervisor in the Guaranteed Student Loan Program. At no time did he occupy the position of a contract officer as that term is used in the Department of Education.

Mr. Coluzzi was primarily responsible for drafting the technical specifications which went into the request for a proposal on collections contracts during 1981.

Three collections contracts were awarded: two for the Chicago and Atlanta collection operations to Gulf Coast Services, and one for the San Francisco site to Payco American. These contracts were awarded under the strictest of controls imposed by the Division of Grants and Contracts Management in the Department of Education. Mr. Coluzzi did participate in the technical proposal review process as did a number of other professional staff personnel in the Department who were familiar with loan collection activities. However, he was excluded from the contract award process, which is conducted solely by the Division of Grants and Contracts Management.

It is true that following Mr. Coluzzi's retirement from the Department of Education in early January of this year he did enter into a consultant agreement with Payco American Corporation.

We have been informed that Mr. Coluzzi has discussed the employment relationship with Payco American Inc. with the Department Ethics Counselor. Mr. Coluzzi was advised that as long a he had not negotiated employment opportunities with Payco American before he left Federal service and that he will not represent Payco American before the Federal government with respect to the particular collections contract under discussion, no applicable conflict of interest law or regulation will have been violated. To the best of our knowledge the facts do not support any conclusion that any Federal law or regulation had been violated.

In as much as one group of small collection agencies which banded together under a consortium arrangement did protest the request for proposal after it had been published in the summer of 1981, we believe it proper to attach the Comptroller General's decision in this matter as an addendum to the record. The Comptroller General's decision memorandum number B-203996 dated December 23, 1981 follows.

DECISION

**THE COMPTROLLER GENERAL
OF THE UNITED STATES
WASHINGTON, D.C. 20548**

FILE: B-203996
B-203996.2

DATE: December 23, 1981

MATTER OF: Coalition of Higher Education Assistance Organizations; American Collectors Association, Inc.

DIGEST:

1. The determination of the needs of the Government and the methods of accommodating the needs is primarily the responsibility of the procuring agency. A protester who objects to the specifications in an RFP bears a heavy burden. Protesters' objections to the RFP specifications concerning hardware, software, location of office, etc., will not be questioned since it cannot be concluded that the procuring activity has no reasonable basis for those requirements.

2. Competitive advantage gained by offeror as a result of prior performance of Government contract is not improper.

The Coalition of Higher Education Assistance Organizations (COHEAO) and the American Collectors Association, Inc. (ACA), are trade associations protesting on behalf of their membership request for proposals (RFP) No. 81-093 issued by the Department of Education (Education) for private agency collection of defaulted student loans under the Federal Insured Student Loan and National Direct Student Loan Programs, two segments of the Guaranteed Student Loan Program. We have been advised by Education that the contracts were awarded, the protests notwithstanding, on November 25, 1981.

We deny the protests.

Education has consolidated all of its Guaranteed Student Loan Program accounts into three regional offices: Atlanta, Chicago and San Francisco. The RFP provided that three contracts will be awarded--one contract for each city and the corresponding regional area. Each offeror could submit a separate proposal for up to two of the cities. If an offeror submitted a proposal for each city, all of its proposals would be rejected.

Essentially, COHEAO and ACA submit that section 1.1 of the Statement of Work is overly restrictive and

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limits competition. The section provides that, if an offer is submitted to collect delinquent student loans for any region, an office must be established in the corresponding city on or before the time of award. In addition, both contend that there is no need for an office in any of the cities. The protesters also question the requirements for hardware, software and the schedule of deliverables. Moreover, COHEAO states that the following requirements are unnecessary: the placement of a monitor at the collection agency's office in the region, telling the collection agency how to train their employees or how to achieve quality control or the type of letterhead to use or how to update its internal files.

A protester who objects to the specifications in an RFP bears a heavy burden. Washex Machinery Corporation, B-191224, July 20, 1978, 78-2 CPD 54. This is because the determination of the needs of the Government and the methods of accommodating the needs is primarily the responsibility of the contracting agencies of the Government. Manufacturing Data Systems, Incorporated, B-180608, June 28, 1974, 74-1 CPD 348; 38 Comp. Gen. 190 (1958); B-174140, B-174205, May 16, 1972. We recognize that Government procurement officials, who are familiar with the conditions under which supplies, equipment or services have been used in the past and how they are to be used in the future, are generally in the best position to know the Government's actual needs and, therefore, are best able to draft appropriate specifications. Particle Data, Inc., B-179762, B-178718, May 15, 1974, 74-1 CPD 257. Consequently, we will not question an agency's determination of what its minimum needs are unless there is a clear showing that the determination has no reasonable basis. Hydro Conduit Corporation, B-188999, October 11, 1977, 77-2 CPD 282; Microcom Corporation, B-186057, November 8, 1976, 76-2 CPD 385.

On the other hand, we also recognize that procurement agencies are required to state specifications in terms which will permit the broadest field of competition within the minimum needs required and not the maximum desired. Specifications based only on personal preference or a finding that a particular item has superior or more desirable characteristics in excess of the Government's actual needs are generally considered overly restrictive. Drexel Dynamics Corporation, B-188277, June 2, 1977, 77-1 CPD 385 (reversed on new facts in The Raymond Corporation; Air Force--requests for reconsideration, B-188277, September 16, 1977, 77-2 CPD 197); Maremont Corporation, 55 Comp. Gen. 1365 (1976), 76-2 CPD 181.

With respect to the issue concerning the establishing of an office by the time of award, COHEAO and ACA complain that this requirement without any indication of award would be a prohibitive investment for many companies and, therefore, restricts competition. Essentially, it is the protesters' position, assuming that the office requirement is reasonable, that an office could be established within a reasonable amount of time from award and the performance dates specified in the RFP could still be satisfied.

It is Education's position that the requirement was necessary because:

> "The offeror must be able to show that it is able to start work immediately (date of award) due to the urgency of the requirement."

In addition, Education says, and we agree, that this requirement did not preclude any potential offeror from submitting a proposal. It only required that the successful offeror(s) show it was capable of establishing an office by the time the contract was awarded. In this regard, while the requirement could have more clearly indicated that Education was concerned with an offeror's ability to establish an office, this does not render the specification overly restrictive.

Concerning the need for an office within the contract designated city, the protesters question the requirement. It appears that they believe other methods could be established to permit collection agencies without an office in the specified city to provide the specified debt collection operations.

Education, on the other hand, contends that an office within the contract city is needed because of "the necessary interrelationship between the contractor and project office for exchange of information, communications with the [Guaranteed Student Loan] system, and the necessity, presented by law, for the Government to make certain decisions on defaulted accounts." Education believes this would enhance the efficiency and effectiveness of the debt collection operations. There would be an ease of the physical transfer of hard copy records and the computer tapes which is set forth in the RFP.

This requirement could hardly be termed unnecessary. Education, in an effort to obtain one of its objectives, a close and coordinated relationship with the collection agencies, which we find reasonable, has required an awardee to be located within close proximity of Education's regional office. While there may be other methods to accomplish this result, we do not find that this alone renders the requirement unreasonable.

The protesters next raise questions concerning the requirements for hardware, software and the schedule of deliverables. In regard to the hardware and software requirements, the protesters agree that compatibility with Education's computer system is a legitimate objective. However, the protesters contend that

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the requirement for specific hardware and the establishment of specific software are conducive to the large collection agencies. In addition, the requirement that the awardee's computer print its letters, how the awardee should update its internal files and what type of computer terminal must be utilized are all matters that should be left to the sound business judgment of the awardees. Both protesters question, COHEAO in more detail, the 1-month time period set forth under § 5.1- Contractor's Schedule of Deliverables for the establishment of an operational system (hardware and software)--and the testing of communications between the awardees and Education.

At the outset, we note that on August 6, 1981, amendment No. 3 was issued by Education. This amendment extended the timeframe from 1 month to 2 months for certain of the requirements under the schedule of deliveries. COHEAO, in its September 23, 1981, submission, mentions the amendment and characterizes the extension of time as reasonable. ACA, in its August 6, 1981, submission, merely states that the requirements can be accomplished on a timely basis, but 1 month is not enough. ACA never explains what time period it believes would be reasonable. In the circumstance, we need not discuss this issue any further.

In regard to the computer hardware, the RFP does not specify that the awardee must own the computer hardware. It is clear that an awardee can lease the equipment or subcontract for the equipment. As a matter of fact, the RFP provides the performance requirements and refers, in two instances, to a brand name piece of equipment, but permits "or equal" equipment. In addition, the exact configuration is not set forth in the RFP.

The same can be said of the computer software. The RFP specifies that the proposed system must be capable of interfacing with other ADP systems, specifically the current Education system. It describes certain mandatory requirements, but, as with the computer hardware, does not specify the exact software that an offeror must provide pursuant to the RFP.

We do not find that the hardware or software requirements are unreasonable or overly restrictive. We note that the protesters, while questioning the hardware and software, do not provide many specific objections directed towards the hardware or software themselves. What appears to be the major complaint is that the time period originally provided (30 days) was not sufficient to establish a system which would satisfy the RFP requirements. As noted above, this time period has been extended by amendment No. 3 and, therefore, the major complaint has been addressed by Education. However, COHEAO, in addition to objecting

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to the time period, submits that the programming requirements are geared to the incumbents.

Our review of the record, which includes the solicitation for the pilot project and the subject solicitation, indicates that, while there are some of the same requirements, the latter solicitation is different. Some major differences were the type, age and volume of loans covered. For example, the pilot project loans were those unsuccessfully worked on by the Government collectors in the regions. In addition, Education has stated that "[P]erformance according to the pilot project requirement would be unacceptable under the new requirement." Also, "there was no interface with the central processor due to the small volume of accounts and tasks being performed by the Government." Moreover, we have recognized that a firm may enjoy a competitive advantage by virtue of its incumbency or its own particular circumstances. As we stated in Birdsboro Corporation, B-184691, September 8, 1976, 76-2 CPD 226, there is no requirement for equalizing competition by taking into consideration these types of advantages. So long as the incumbents were not given preferential treatment in the competition, their competitors have no basis to object merely because of their advantage, having the equipment utilized in the prior contracts.

With respect to COHEAO's general objection to monitor placement, training, quality control, letterhead and internal updating of files, we reiterate the heavy burden a protester must satisfy when objecting to specifications. Education, in response to the site monitor requirement, states that, since the Government is the only party that can authorize adjustments or deferments of a loan, the onsite monitor would be able to make a decision immediately and thus facilitate loan collection. The monitor would be present solely for this purpose and not to supervise the contractor. Concerning the training, Education's position is that the actual training proposal will come from the contractor with the Government having the right to approve the program. The right of approval gives the Government the necessary assurances that the trainees will be adequately familiar with the applicable laws, regulations and the RFP's scope of work. In regard to the remainder of the objections, it appears that Education was concerned about the large volume of accounts to be handled and the almost certain need to have an automated system to handle the tasks required by the RFP. Out of necessity, a contractor's files must be constantly updated and its ability to receive data must be assured. As such, Education has a legitimate interest in a contractor's quality control and its updating of internal files. In this circumstance, we find that COHEAO has provided no basis for its general objections to certain RFP requirements.

We deny the protests.

Harry R. Van Cleve

For the Comptroller General
of the United States

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REDUCTIONS IN GSL'S

Senator RUDMAN. Before turning to the budget for student financial assistance, Dr. Elmendorf, we are going to insert your statement, but I wonder if either Senator Specter or Senator Burdick have any questions on the subject matter which we have just been discussing.

Senator SPECTER. Thank you, Mr. Chairman. I have a question, but I would be glad to defer to Senator Burdick.

Senator BURDICK. I will defer to you.

Senator RUDMAN. Senator Specter.

Senator SPECTER. What, overall, are the cuts on guaranteed student loans comparing 1981 to the current fiscal year 1982 and projected ahead to 1983?

Dr. ELMENDORF. OK. I'll see if I can get that together for you. In terms of the guaranteed student loan program alone, not the ALAS program, but the dollar effect is that we were able to use approximately $2.4 billion Federal to generate approximately $7.7 billion in loan capital to 3.5 million——

Senator SPECTER. $2.4 million to generate $7.7 billion?

Dr. ELMENDORF. $2.4 billion to generate loan capital of $7.7 billion to approximately 3.5 million students in 1981.

Senator SPECTER. And in 1982?

Dr. ELMENDORF. In 1982, accepting the supplemental request and accepting the revisions that we proposed beginning on April 1, we would be using approximately $2.7 billion in Federal funds to generate $6.2 billion in loan capital to about 2.9 million students.

Senator SPECTER. You say $2.7 billion to generate $6.2 billion?

Dr. ELMENDORF. That is right.

Senator SPECTER. And the 1981 figure was $2.4 billion.

Dr. ELMENDORF. If you want me to include the ALAS program in the 1981 figure, I will.

Senator SPECTER. I would like to have you repeat what you just said. I thought you said $2.4 million.

Dr. ELMENDORF. The 1981 figure is $2.4 billion for the GSL program alone to provide $7.7 billion to 3.5 million students.

Senator SPECTER. So you're saying that the figure has gone up in 1982?

Dr. ELMENDORF. We're saying that the cost to the Federal Government will go to $2.7 billion to provide $6.2 billion in loan capital to 2.9 million students.

Senator SPECTER. And what are the 1983 figures?

Dr. ELMENDORF. The 1983 figures under our agency proposals would be a Federal Government cost of $2.5 billion to generate $5.9 or almost $6 billion in loan capital to 2.8 million students.

Senator SPECTER. What is the process by which these figures are arrived at? Do you men consider yourselves in any sense advocates for these student loan programs?

Dr. ELMENDORF. Yes, sir.

BUDGET POLICY AND EFFECT

Senator SPECTER. And where does the battle take you, to the Office of Management and Budget where there are tough negotiations as to what figures you're going to come before the Congress with?

Dr. ELMENDORF. I think Mr. Jones is very familiar with that process of how the budget is arrived at. Mr. Jones.

Dr. JONES. Well, obviously, we have communications throughout the year with OMB, but when it comes to student financial aid, Senator, to a large degree, what we have tried to be is to be as equitable as we can and try to cover as many students as we can. If you will permit us to add one more figure for the auxiliary loan program, for instance, to the 1983 data, you will find that we are covering several more students than Dr. Elmendorf just expressed, that the loan volume would reach $10.3 billion in 1983 and the recipients would be 4.5 million and the average loan would be $2,244.

Now what we are suggesting is that this is a fairly equitable program and is fair. It does require some students to borrow money that perhaps have been receiving grant money before.

Senator SPECTER. When you're talking about $10.3 billion contrasted with the $5.9 billion figure mentioned earlier. Are you talking about additional programs?

Dr. JONES. Some of these students who have been under the guarantee student loan part of the program are now under the auxiliary loan program in 1983. So to compare figures from 1982 to 1983, we must include the auxiliary loan portion of the student loan program.

Senator SPECTER. Was there no auxiliary program in effect in 1982?

Dr. JONES. For parents it was called the parent loan program and it was a limited amount of dollar volume for that year. It was the first year that it was activated.

Senator SPECTER. But the auxiliary program is a 14-percent interest program and the student must begin to pay interest 60 days after the loan originates, which is a distinguishing feature from the prior program?

Dr. JONES. The interest rate is currently at 14 percent. If the T-bill rate goes down, it will be 12 percent, if it's less than a 14-percent average over a 52 week period.

Senator SPECTER. Is that on the guaranteed student loan program as well as on the auxiliary loan program?

Dr. JONES. The guaranteed student loan program is 9 percent and the student needs to pay nothing back while they are at least a half-time student in college. In the auxiliary loan program, they need not pay on the principal as long as they are a full-time student in college, and a lender could agree that he not pay the interest until he's no longer a full-time student—a graduate or professional student.

Senator SPECTER. So it is not correct that under the auxiliary program the student must begin to pay interest 60 days after the loan originates?

Dr. JONES. It is true, but they can negotiate with the lender and perhaps have that waived until they are no longer a full-time graduate or professional student.

Senator SPECTER. But that's up to the largesse of the lender, not some matter that the student has a right to which he does under the guaranteed student loan program?

Dr. JONES. That is correct, sir.

Senator RUDMAN. Such largesse usually being in very short supply.

Senator SPECTER. If, Mr. Chairman, it was in any supply, I would be surprised.

ELIMINATION OF GRADUATE STUDENT LOANS

The guaranteed student loan programs now eliminate the graduate students, correct?

Dr. JONES. We need to be careful here. The guaranteed student loan program as previously conceived did include graduate or professional students. Now we're simply saying there's a separate program within the guaranteed student loan program called the auxiliary loan program. That program is where the graduate or professional students can borrow under our 1983 budget proposal.

Senator SPECTER. All right. But the net of it is that the guaranteed student loan program as it existed last year now excludes the graduate students. They have access to some loans under the auxiliary program, but those are different in terms of higher interest rates and earlier payment obligations.

Dr. JONES. Correct, Senator.

Senator SPECTER. And how much money is available under the auxiliary program for graduate students compared with the guaranteed student loan program of last year?

Dr. JONES. Dr. Elmendorf.

Dr. ELMENDORF. The provisions of the ALAS program would allow borrowing per year for graduate or professional independent students up to $8,000 or $40,000 over their graduate experience, which is an increase——

Senator SPECTER. Now we're talking about last year's program or this year's auxiliary program?

Dr. ELMENDORF. We're talking about the 1983 proposed program.

Senator SPECTER. That would be under the auxiliary loan program?

Dr. ELMENDORF. Yes, sir.

Senator SPECTER. And what was available under last year's program?

Dr. ELMENDORF. Well, last year's program was $3,000 borrowing for—what was the maximum?

Mr. BAYER. Graduate students under the student loan program under current law can borrow $5,000 a year. They can borrow an additional $3,000 a year under the PLUS program. Under our proposals, we are combining those two together so they can borrow $8,000 a year under the PLUS program.

Senator SPECTER. How does the student figure out what he can borrow when it takes five highly placed Federal executives to shift the ball back and forth on these issues?

Isn't there some way to simplify it so that one high-powered Federal executive can tell a Senate committee what the answer is to the question? I won't ask for an answer to that.

Dr. JONES. Senator, the answer is they get the same amount of money this year under this program as they did last year under two programs.

CONCERN ABOUT REDUCTIONS IN STUDENT AID

Senator SPECTER. Well, fine. Let's start there and get to the point. There's a lot of concern that we all have on the budget issue—Mr. Chairman, I just want to finish one comment and then I'll yield—Senator Rudman and I and many others were in the Appropriations Committee yesterday afternoon trying to figure out what figures we're going to come up with for the Budget Committee, and there's a lot of concern about further cuts in social programs and especially in the educational programs, and I think it's accurate to say that there have been more complaints received by me in my office on student loans than any other single item in the budget proposed so far. There have been a lot of complaining parties. The week before last there was a group from Pennsylvania, noted for both its proximity and its intensity, an overflow crowd in a room about this size in the Russell Building—of students really alarmed and also a tremendous volume of mail on the issue of graduate student loans.

It is not known that there are comparable programs available on the auxiliary loan programs and what you're representing to me here today is that there are. A graduate student can get a comparable amount, although he may have to start paying it back sooner with a higher rate of interest.

Dr. ELMENDORF. Sir, you've got to keep in mind that this program called the ALAS program is a brand new program insofar as Congress just enacted it in August as part of the Omnibus Budget Reconciliation Act. It added to what was considered a parent-only program, where parents could borrow essentially their family contribution. Graduate and professional students became eligible as part of new legislation. We are just now getting the regulations on that program through our regulatory process.

Senator SPECTER. OK. The administration is proposing a program which will be approximately equal to the one last year for graduate students?

Dr. ELMENDORF. Yes, sir, and it has in it the many strong assets that allow for the unlimited access to capital as well as no needs test for those who wish to borrow. That's different from the guaranteed student loan program.

Now if you're an over $30,000 income family, you have to prove that you need the money.

Senator SPECTER. Well, I don't want to prolong this speech because I thought I'd get more time, but I just want to note the concern that a lot of us in the Senate feel about these programs on a reduced basis, that education is obviously critical in the high-technology society that we're moving to, and if we don't have graduate students and college students, where are we going to be?

I thank you, Mr. Chairman.

SUMMARY OF GSL PROVISIONS FOR GRADUATE STUDENTS

Senator RUDMAN. Senator Specter, earlier in the hearing we got some statistics from Dr. Elmendorf indicating that this program for graduate students appears not only to be accepted by 47 of the 50 States, but that in the 3 States that will not accept it there will be other agencies that might fill it.

The one problem, of course, is that unquestionably there will be an interest cost of somewhere between $500 and $800 a year during the graduate years of the graduate student. We had a dialog here in which we simply discussed that this might not be a burden for a great number but we obviously are concerned for those graduate students who, in fact, could not meet that. But some of the press reports that the principal has to be repaid and so forth have been distorted. At least we ought to criticize the program where it ought to be criticized. We ought to do it fairly and observe exactly what the program is. So I think the hearing record has developed a great deal of the answers to some of the questions we have.

Dr. JONES. Mr. Chairman, may I interject this one comment? We appreciate that very much. Dr. Elmendorf and I, among others, have taken every opportunity that we can to communicate to the public at large and the education communities what this proposal does precisely. But there have been very inaccurate and erroneous reports in news magazines, major news magazines, as well as the newspapers, so we appreciate this opportunity very much.

Senator RUDMAN. Senator Burdick.

Senator BURDICK. Thank you, Mr. Chairman.

Recently I've gotten a lot of mail about the cuts in student financial aid and perhaps more than any other proposal in the budget. What you're proposing has virtually turned back the clock on the availability of higher education in this country. We desperately need more engineers, more scientists, more computer people, and others to rebuild our economy and adapt it to the postindustrial era. Yet your cuts will make this aim even harder to achieve. I must tell you that I think these cuts are very, very shortsighted. Not only are they shortsighted in terms of our future, but they are also shortsighted in terms of the opportunity these programs give our people to be productive and taxpaying citizens.

DEFINITION OF LIQUID ASSETS

In that light I'd like to ask a few questions to either Dr. Elmendorf or Mr. Moore. I notice that you wanted to simplify eligibility determination for Pell grants by looking at just six income factors of which one is liquid assets. Would you define what would be included or not included in this term as it affects students in farm families? Would farm machinery, for example, be considered a liquid asset?

Dr. ELMENDORF. Sir; the six elements that would be proposed in fiscal 1983 to be a part of the Pell grant proposal are being developed for a number of reasons. One of which I don't want to slip past is the complexity of the form that we now have for that program. That form is so onerous that we are finding in our own studies that over 40 percent of the students that fill out those forms fill them out in error. That has resulted in over $240 million in overawards to students who don't qualify for those funds.

One of the ways in the long term we can correct that is to simplify the form and ask for fewer elements. Most of the elements we are asking for are elements of income or how much a family can contribute from their resources. In the area of liquid assets we have not arrived at a regulatory definition of that, but a general broad base definition would mean those assets which are easily convertible—cash, bank accounts, stocks, and bonds. If you're looking at a piece of farm equipment, that is a more difficult thing to convert than a family savings account, a stock, or a bond.

Senator BURDICK. Well, then, what you're telling me is that farm machinery which is necessary to plant a crop and bring some income into the family, according to your statement now, would not necessarily or would not be considered liquid assts?

Dr. ELMENDORF. Yes, sir.

GSL NEED ANALYSIS

Senator BURDICK. For the guaranteed student loan program you're proposing a needs analysis for all applicants. Which needs analysis would you be using if such a plan would be approved?

Dr. ELMENDORF. We would be using basically the needs analysis that's in effect right now for 1981–82. We would propose and have regulations that are being developed to propose essentially the same needs test in 1982–83 that we proposed in 1981–82. We'll also by April 1 have regulations proposing the test for 1983–84. Perhaps Mr. Bayer would like to comment on that.

Senator BURDICK. Well, then, I assume from your answer that there will be no substantial change in the needs test then?

Dr. ELMENDORF. We would not consider it to be a substantial change.

Mr. BAYER. We are proposing essentially the same thing for the coming academic year that we have been using for the past academic year; namely, the institution would have a choice of using either one of the approved methodology needs system for the coming year.

Senator BURDICK. Why do you think this proposal would be more successful this year than it was last year if it's the same program, and we find evidence that it was not too successful?

Dr. ELMENDORF. Are you referring specifically to the GSL proposed reform on needs analysis or all major reforms?

WHO IS INCLUDED UNDER NEED ANALYSIS

Senator BURDICK. Last year they tried to place everything under needs analysis, didn't you?

Mr. MOORE. That's true.

Senator BURDICK. Well, do you consider that a very successful program?

Dr. ELMENDORF. We do feel that it is necessary as a protection in the program to ask that all students who have access to loan capital created by federally subsidized funds complete a statement showing that there's a relative need for those funds with relation to the cost of the institution they are attending. Yes, sir, that has a very basic sound philosophical principle that we support.

Senator BURDICK. You recall that the Congress rejected it, don't you?

Dr. ELMENDORF. Yes, sir; but I also recall that last year one of the other proposals was to eliminate the in-school interest subsidy on the GSL program. We fought very hard within this Department and within this administration to preserve that component of the GSL program. It's a very costly thing to preserve. It's over a $1 billion cost to the Government. With that in place, we feel that access to that program is not diminished and we feel that the protections that can be offered under the program through the implementation of a needs analysis would assure further reduction of potential fraud in the program.

Senator BURDICK. You propose to cut graduate students off from GSL and make them apply for aid to the auxiliary loan PLUS program—Buck Stenjem, vice president of the Bank of North Dakota, a highly respected figure in the financial community, has told my staff that this program is not operated in North Dakota and never will because "It would not be a viable program at all."

SITUATION IN NORTH DAKOTA

What is your advice to graduate students who need this aid but live in North Dakota or in other States where they don't have this program? What do we tell them?

Dr. ELMENDORF. Sir, I have answered that question I think in detail for the record, but let me give you my summary of that.

The State we're talking about is North Dakota. I have records to show in response to a questionnaire that we sent to all guarantee agencies that the State of North Dakota intends to be operational in this PLUS program after April 30, 1982. I have records that indicate that only about three States have indicated their unwillingness to participate in the program.

Now to answer the question specifically for the individual, if North Dakota should choose not to participate in the program, we have entrees from at least three other agencies or lenders who would be willing to go into the State of North Dakota in consultation with the guarantee agency, and provide the opportunity for graduate students in that State to have loan capital available to them.

Senator BURDICK. Did I hear you say they have agreed to participate in North Dakota?

Dr. ELMENDORF. The records I have say that they intend to be operational in this program after April 30, 1982.

Senator BURDICK. We were told recently that North Dakota is one of the three that would not participate.

STATES PARTICIPATING IN GSL PROGRAM

Senator Rudman. If you would yield, Senator Burdick, we had engaged in this discussion before you got here, but I think this is very good, and so I think I would ask then that Dr. Elmendorf, in a response to a question, gave us a list of States that were now qualified, were going to qualify, and were thought to apply to qualify.

Might I ask you for the record to review your records and to give us a detailed answer on the question that Senator Burdick is posing and I think we would like to know very accurately what the status might be. Will you do that for us?

Dr. Elmendorf. We will.

[The information follows:]

States with guarantee agencies participating in the auxiliary loan—PLUS—program as of February 12, 1982:

Alaska
Arizona
California
Connecticut
Delaware
District of Columbia
Hawaii
Indiana
Iowa
Kansas
Louisiana
Maryland
Massachusetts
Michigan
Minnesota
Montana
Nebraska
New Jersey
New York
Pennsylvania
West Virginia
Wyoming
Virgin Islands

Additional States expected to have operational programs before April 30, 1982:

Alabama
Colorado
Georgia
Idaho
Illinois
Maine
Mississippi
Missouri
Nevada
New Hampshire
New Mexico
North Dakota
Ohio
Rhode Island
Texas
Vermont
Virginia
Washington

Additional States expected to have operational programs after April 30, but before next fall:

Arkansas
Florida
Kentucky
North Carolina
Oklahoma
Oregon
South Carolina
South Dakota
Tennessee
Utah
Wisconsin
Puerto Rico

DISTRIBUTION OF FUNDS IN CAMPUS-BASED PROGRAMS

Senator Burdick. Thank you, Mr. Chairman. That takes care of it. And if we have our fears, I hope you can allay them in some way. Thank you.

Senator Rudman. Dr. Elmendorf, I would like to move on to student financial assistance ratable reductions. I hope this will be a very short discussion. The committee is aware, of course, that the SEOG programs and the NDSL programs are very complicated. In order to simplify matters here in the committee last year I offered an amendment which included language to provide that each State would have its allocation under the SEOG and NDSL programs ratably reduced. The reason I offered that particular amendment was because under the formula there were many States, not coincidentally New Hampshire, that essentially would have enormous reductions in those programs due to a formula that made no sense.

We were informed informally by the Department that the Department was looking at making some kind of grant awards under the old allocation formula.

Without getting into a lot of history and since we have very clear language in the continuing resolution, are you going to follow the amendment that we worked so hard to get on the books here or are you going back to your old bad habits?

Dr. ELMENDORF. We have in the past, as you know, followed the law explicitly. We would do the same in the future. We do have some, what we consider to be, ambiguities in the law that required us to ask you and counsel for some direction. We have your letter. We feel that what you have proposed is certainly worthwhile. It results in an equitable distribution of funds, given the proposals that you have made.

I'd like to ask Mr. Moore who's studied the question and has a number of things ready to respond to this question.

Senator RUDMAN. All right. I guess, why don't you answer the question up front and then give me your explanation? Are you going to follow ratable reduction?

Mr. MOORE. Yes, sir.

Senator RUDMAN. Under the language that we adopted?

Mr. MOORE. Yes, sir, provided it is in the continuing resolution extension that is needed by April 1.

Senator RUDMAN. We'll be sure of that.

AWARD SCHEDULE

Mr. MOORE. Because, frankly, our schedule and yours are almost on a day-to-day basis. Our tentative award letters are scheduled to go to institutions on the last day of March. We want them to be in accord with the language that is in existence on April 1. Therefore, we will make certain that our system is programed to reflect the type of ratable reduction you're talking about.

I must say, in passing, Senator, that you're fast becoming immortal in our agency. We refer to this activity as "Rudman." Last year it was "Rudman I" and this year it's "Rudman II."

Senator RUDMAN. I'm not so concerned about your agency. I would like to be immortal in my State.

Mr. MOORE. At any rate, as Dr. Elmendorf indicated, we are required to operate under the statute that is in existence on the day we do things. We believe that there will be a happy confluence on April 1 after the continuing resolution.

Senator RUDMAN. Well, I hope so because I think if you look at those numbers you would have found there were some distortions, if you will, that really made no rhyme or reason, not just for the State of New Hampshire but for many States throughout the country that would be severely punished under a mathematical formula that made very little sense but was designed to do something else.

Mr. MOORE. You're right. I have wrestled with this allotment formula for more than two decades. When we're in a posture of having to move to slightly lower funding levels, the type of proposal you have put in very simply keeps peace in the family all over the country.

Senator RUDMAN. And it will be fair, which is really the underlying premise.

Mr. MOORE. That's right.

Senator RUDMAN. Fairness and equity in these programs is most important, that there not be any particular biases toward any region.

Mr. MOORE. Right.

CONSISTENCY IN AWARDS

Dr. ELMENDORF. Could I add one thing, sir? There's another component we consider important, and that's consistency. We note from your letter that you would like to see the same methodology apply to all three programs and we believe that whatever way we come down on this thing—with the blessing of Congress—that it will be with consistency in all three programs being treated essentially the same way.

Senator RUDMAN. I think that's very important for a number of reasons.

In your justification, let me quote a sentence. You say, "To address the rising spiraling cost of Federal payments and to thereby control one source of inflationary pressures, the 1983 budget proposed to reduce the level of Federal contributions to the student financial assistance."

INCREASED FEDERAL AID AFFECTS COSTS

On what evidence do you base your assertion that increased Federal support of higher education is a major contributor of increased tuition costs?

Dr. ELMENDORF. I didn't catch the last part of that.

Senator RUDMAN. Or do I read your statement correctly?

Dr. ELMENDORF. Did you say tuition costs or all costs?

Senator RUDMAN. Tuition costs.

Dr. ELMENDORF. Our sense is that as we developed the budget we developed it with some principles in mind. One of those principles is a most important principle—that the family has the major responsibility to meet the costs of educational needs of the children. Evidence that we have from the growth of these programs, both in the Pell program and the GSL program, is that that role, in fact, has been diminished in the past. The Federal role has, in fact, been accelerated. We are trying to restore some reasonable balance to the role the family will play.

We know, for example, in the SSIG program the amount of money that the Federal Government put in is approximately $76 million. The amount of money that the States are now putting in is over $900 million. My sense is that the growth in the budget and the growth in the credit budget of the United States both have to be considered.

We have been talking about deficits and talking about the cash budget of the United States and not the credit. We've got a program called the guaranteed student loan program that we feel has, more than any other program, increased not only the cash problems but, more critically, the credit problems of the country. We feel that the major reforms that we have here will restore a family role and also put some control back into the amount of credit outlay which result from these kinds of entitlement programs. That makes a reasonable balance between what the family pays, the State pays, and the Government pays.

STUDENT'S SATISFACTORY PROGRESS

Senator RUDMAN. I want to move on to a GAO report that I'm sure you're familiar with. To quote just one part of it, it says, "Students receiving Federal aid are not making satisfactory academic progress. Tougher standards being needed," and so forth. The general conclusion of the report was that weak and nonspecific Federal requirements of academic progress have led to abuse of these programs, particularly those administered by the Department of Education and the Social Security Administration.

How do you respond to that report and do you think, if valid, it can be corrected, and how?

Dr. ELMENDORF. Well, we would respond in two ways. One is that we've worked with the higher education community on another principle of ours. That is, that where we can, there ought to be self-regulation rather than the Government regulation telling individuals and institutions what they should do.

In the area of satisfactory progress, the problem doesn't seem to be the lack of a standard. It seems to be the lack of the enforcement of the standards which the institutions have set. We've worked with the community. A strong statement of satisfactory progress has been developed and endorsed by nearly all higher education associations. We are expecting that that will be approved within the Department and that, in fact, it will be an opportunity for institutions to enforce the standards which they have set for themselves in terms of academic satisfactory progress.

Now in one specific program proposal—the Pell grant proposal for 1983—we have dealt with the question of unlimited access to that program without any limit of years of eligibility by proposing a 5-year maximum eligibility. Now that's full-time student eligibility. That goes beyond 5 years for those that are less than full-time. So we feel we have dealt with it in two ways. One, with the community, asking them to enforce the standards which rightfully they should determine for themselves, but if not, we feel we should have a role; and, two, selected program regulations and legislative proposals to be more stringent in defining satisfactory progress.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

Senator RUDMAN. Finally, Dr. Elmendorf—and we have covered a lot of ground here in an hour and a half and we will have a number of questions for the record, but the only other question I have for you this morning relates to the supplemental education opportunity grants.

You know an undergraduate can borrow $2,500 from GSL and under your new proposal a Pell grant of $1,600. Won't the termination of the SEOG program in reality eliminate the possibility of very low-income students attending very high-cost institutions? Don't you think that will be a practical result?

Dr. ELMENDORF. No, sir; I don't. We know from our records that about 87 percent of the students in the SEOG program also receive Pell grant subsidies. In designing our Pell grant formula for 1983, we made specific and important changes in the formula that we felt protected the lowest income—the neediest student.

Senator RUDMAN. How does it do that?

Dr. ELMENDORF. Well, even with $1.4 billion in there, we have assured ourselves through the way the formula is calculated that those students who come from families with zero to $12,000 income will receive 84 percent of all the funding in the Pell program and that 75 percent of the students, in fact, will be in that category.

So our feeling is that even though you're earning up to—from a family that earns up to $18,000—you can still receive Pell grant eligibility.

Now the problem is that there are students right now getting SEOG and Pell, who are above the $18,000 category and will be coming off SEOG and falling out of Pell eligibility. My feeling is they will have to borrow to continue their education or participate in the work study program or, in fact, participate in the NDSL program which is going to make more than $430 million available next year.

Senator RUDMAN. Well, you know, I hear what you say, but we're still talking $4,100 even if it's targeted to the right people between the $2,500 for GSL and the $1,600 for the Pell grant, and that $4,100 falls far short of total costs of many very high-cost schools, and I just don't know how these youngsters will be able to make it up. I mean, are we making a policy decision here that the children of the very poor will not be able to attend the high-cost institutions? Maybe they're not better institutions. They are high cost.

Dr. ELMENDORF. I think we are protecting that, or I would hope so.

HIGH-COST INSTITUTIONS

Senator RUDMAN. Let's just assume I'm now going to Dartmouth or Bowdoin. I mention those two because I have helped support them both for the last 8 years. And let's assume that I want to go to Bowdoin. It's going to cost me $10,000 or $11,000 at Bowdoin. Where do we get $11,000? Because if it's a summer job, it's an illegal summer job, I'll tell you that.

Dr. ELMENDORF. My feeling is that your son would probably be a very bright student and will get a great deal of the institutional aid that Bowdoin College would have available to start with. In addition, as your financial contribution you may choose to either contribute or borrow under the PLUS program. You have the additional opportunity as a parent to help your student get into a higher cost institution by borrowing up to $3,000 on your signature, no need considered, in addition to the $2,500 that your student can borrow on his own signature. You also have access, if the student comes from a poor family, of getting into the institutional national defense student loan program, a revolving fund which is going to have approximately $430 million in it next year.

So my sense is that you've got sufficient resources if the aid officer in that institution determines they can be balanced to fit the individual financial needs of your son or daughter.

Senator RUDMAN. There are moneys left, but I believe that you are asking for no new additional funds in that account, NDSL, and then under the work-study programs we're talking about a reduction of nearly $400 million. So here are two areas where you might be able to move that you won't have the funds in there. Am I incorrect on that?

Dr. JONES. About $100 million for the campus work study program.

Senator RUDMAN. I'm sorry, minus $130 million, but that's still minus; it's not plus, so there's going to be even more competition.

PACKAGING STUDENT AID

Let me just say that, rather than prolong this, I would like to see something for the record—and I think this committee would like to. I'd like you to give me a prospectus, if you will, from three or four institutions—take an expensive Ivy League school, one in the Midwest, and one on the west coast. Take a student from a family with essentially the barest of survival income and you show me under the standards of those institutions how that youngster would be able to attend that institution. I know that even for middle-income Americans with good earning power sending youngsters to those institutions is a great strain, having had a son go to Dartmouth and a daughter about to graduate from Bowdoin and simultaneously over the last 8 years having similar situations, I can tell you it takes even one who has good earning power close to bouncing checks every month, and for people who are lower middle-income, poorer people, I just think it's very difficult and I would like to see a profile form as to how you—maybe you're right that there is a way to do it, but I think the committee would like to see it so that we could study it and give it some attention in terms of being responsive to the administration's proposals.

Dr. ELMENDORF. I think we can develop that in a profile form. The information that we can't put on there, unfortunately, is the decisions that would be made locally by the financial aid officer as to whether or not that student is going to get the kind of other funds that that institution only might have available to it. But the piece that deals with the Federal resources, we certainly can do that.

Senator RUDMAN. Last year I asked Mr. Meadows to supply a similar package under last year's proposals and it was informative and it was worthwhile. It dealt with the State of New Hampshire. I'm now taking a broader look at this. Let's look at students across the country who want to go to high-cost institutions under the administration's new proposals. Let's just see how that comes out.

[The information follows:]

The following student aid packages are prepared for a dependent undergraduate student whose family income qualifies him/her for a maximum Pell grant.

Assumptions:

In each example the projected tuition and fees are based on the actual 1982-1983 costs inflated by 10 percent to reflect 1983-1984 projected costs.

The two alternative packages were developed to meet the following goals. (1) to minimize the loan burden and rely principally on work and grants. (2) to work less during the academic year and rely more on loans.

Institution Type: West Coast

Institution Name: California State University-Los Angeles
Los Angeles, CA

Average Tuition and Fees	$ 447
Living Cost Allowance	3,500
Resources Required	$3,947

Available Resources	Alternatives (1)	Alternatives (2)
Work-Study Program	$ 647	$ ---
Direct Loan Program	---	647
Pell Grant	1,600	1,600
Guaranteed Loan	---	
	(2,247)	(2,247)
Other Resources		
Unsubsidized work during school year	---	---
Summer work experience	1,200	1,200
Institutional grants and fellowships	---	---
State grants and Scholarships awards	500	500
	(1,700)	(1,700)
Total:	3,947	3,947

Institution Type: Community College

Institution Name: Montgomery Community College
Rockville, Maryland

Tuition and Fees	$ 601
Living Cost Allowance	$3,500
Resources Required	$4,101

Available Resources	Alternatives (1)	(2)
Work-Study	$ 900	$ ---
Direct Loan	---	700
Pell Grant	1,600	1,600
Guaranteed Student Loan	---	---
	(2,500)	(2,300)
Other Resources		
Unsubsidized work during the academic year.	201	---
Student Summer Work Expectation	1,200	$1,301
Institutional Grants and Scholarships	--- ---	---
State Grants and Scholarships Award	200	500
	(1,601)	(1,801)
Total:	4,101	4,101

Institution Type: Midwest

Institution Name: Indiana University -Bloomington
Bloomington, IN

Average Tuition and Fees	$ 1,384
Living Cost	3,500
Resources Required	4,884

Available Resources	Alternatives	
	(1)	(2)
Work-Study	$ 784	---
Direct Loan	---	700
Pell Grant	1,600	1,600
Guaranteed Student Loan	---	1,000
	(2,384)	(3,300)
Other Resources		
Unsubsidized work during school year.	500	---
Student Summer Work Expectation	1,200	1,200
Institutional grants and Scholarships	400	---
State Grant Scholarship Awards	400	384
	(2,500)	(1,584)
Total:	4,884	4,884

Institution Type: Ivy League
Institution Name: Yale Universtiy
New Haven, Connecticut

Tuition and Fees	$ 6,911
Living Cost Allowance	3,500
Resources Required	10,411

Available Resources	Alternatives	
	(1)	(2)
Work-Study	$ 950	$ ---
Direct Loan	1,061	1,500
Pell Grant	1,600	1,600
Guaranteed Student Loan	2,000	2,500
PLUS Loan	---	3,000
	(5,611)	(8,600)
Other Resources		
Undsubsidized work during school year.	400	---
Student Summer Work Expectation	1,400	1,400
Institutional Grants and Scholarships	1,500	411

State and Grants and Scholarships Award*	1,500	---
	(4,800)	(1,811)
Total:	10,411	10,411

NOTE: At the highest cost schools students with no available family contribution will be required to assume some loan indebtness unless the institution can provide substantial scholarship aid.

SUBMITTED QUESTIONS

Senator RUDMAN. I want to thank you very much for your testimony. Let me say to you that I'm most interested in pursuing the area that we discussed about 45 minutes ago concerning the methodology that you used to award those contracts, the gentleman who now works for that agency. I just really would like you to pay some attention to that and give us a fairly comprehensive report.

Before we go on to our next panel, the subcommittee will stand in recess for 5 minutes.

[A brief recess was taken.]

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PROPOSED SUPPLEMENTAL

Question: The Administration is requesting a supplemental of $978.1 million for the Guaranteed Student Loan program, together with point-of-order language to amend the GSL authorization and make substantive, and somewhat controversial, changes in the program. These changes include elimination of graduate students from the GSL program, doubling the origination fee from 5 percent to 10 percent, and charging market rates to borrowers two years after graduation.

What would be the effect of Congressional failure to provide any supplemental?

Answer: We would like to stress the importance of early Congressional action on our supplemental request for 1982. GSL program expenditures are almost entirely non-discretionary. The $1,773,846,000 appropriation for this year provided by the current Continuing Resolution may not allow us to pay our bills (primarily for interest subsidy and special allowance payments) through the quarter beginning April 1. The consequences of not being able to pay our bills would not be attractive. Lenders would probably be slow to provide new loan capital at a time when students are seeking new loans for academic year 1982-83. Furthermore, to the extent that interest subsidy and special allowance payments are delayed, "penalty interest" (required under section 438(b)(4) of the Higher Education Act) will accrue--further increasing program obligations.

Question: What would be the effect if Congress provided a supplemental, but no point-of-order language?

Answer: We estimate it is going to cost $3.061 billion to run the program under current law in fiscal year 1982. If we get the $978 million supplemental without the program changes we are seeking, the program will run out of money, probably by August, and the consequences just discussed would result.

Question: Under current law, how large a supplemental would be required to fund the GSL program until the end of the year if there are no legislative changes in the program?

Answer: We would need a supplemental of about $1.3 billion to fund the GSL program under current law through fiscal year 1982.

Question: When will the GSL program run out of money if there is no supplemental?

Answer: We estimate that our funds to pay lender bills for interest subsidies which accrued during the second quarter of fiscal year 1982 may be exhausted by the end of May if there is no supplemental. In addition, we are now obligating the Department beyond the existing appropriation level for interest subsidies which are accruing this quarter. Bills for this quarter will not actually be received until the quarter beginning July 1.

GRADUATE STUDENTS

Question: The Administration is proposing to eliminate graduate students from the Guaranteed Student Loan program. Many experts contend that the United States faces a serious shortage of trained graduate students in many fields.

What is the rationale behind this proposal?

Answer: First, we would like to clarify that graduate students are not being eliminated from the Guaranteed Student Loan program under our proposal. Their borrowing would be shifted from the 7 or 9 percent heavily-subsidized regular student loans to the less-subsidized 12 or 14 percent auxiliary (PLUS) loan component of the GSL program. Having the graduate students borrow under the less-subsidized aspect of the program provides a means of achieving substantial immediate savings (over sixty percent of our total projected FY 1983 savings) without denying loan access to any students. We believe that students who have already obtained their undergraduate degrees should be in a position to meet their own in-school interest obligations, as necessary, via summer and part-time employment. This proposal is consistent with this Administration's view that a larger part of the costs of financing postsecondary education should be born by its direct beneficiaries.

Question: How do you respond to the criticism that one cause of America's current trade imbalance is the lack of enough trained engineers and other scientists, and that this proposal will worsen that problem?

Answer: We do not agree that U.S. trade imbalances are clearly related to our national volume of scientific and technical degrees. Neither do we believe that our proposal to shift graduate and professional student borrowing to the less-subsidized auxiliary (PLUS) component of the GSL program will seriously affect the number of students pursuing advanced degrees or the nation's supply of technically-trained manpower. We believe that students will have to consider more closely the costs and benefits of their educations than they currently do, and that they will be more demanding consumers with respect to the quality of education provided. We do not believe that these would be undesirable consequences.

In general, we do not believe that Federal planning and subsidization has been, or can be, an effective approach to our national manpower needs. In fact, the recent huge growth in GSL volume and related subsidy costs has not been related to appreciable growth in scientific and technical field enrollments or in postsecondary enrollment generally.

NEED ANALYSIS

Question: The Administration is proposing to make all students undergo needs analysis in order to receive GSLs.

How much will this provision limit loan volume as compared with the current system?

Answer: Expansion of need analysis to all borrowers is not expected to result in a significant reduction in loan volume. We believe that it will affect less than 10 percent (that is approximately 300,000 students) of all borrowers in fiscal year 1983. A very small number--perhaps 100,000--will lose all eligibility for the regular guaranteed loans. The major portion of our projected savings from this proposal results from some borrowers having their loan eligibility slightly reduced, but not eliminated. In particular, it is most likely that students attending low cost schools, who come from small families with adjusted gross incomes over $20,000 would have their loan eligibility reduced. There would not be as much impact on students from large families, especially when more than one dependent student in the family is attending a postsecondary school. There would be no affect on borrowers from low-income families. The intent of this proposal is primarily to control abuse and to improve equity within the GSL program as well as among Title IV programs.

Again, we must emphasize that if cash flow problems limit the ability of the families of affected students to meet the expected family contribution indicated by the need analysis, the parents would be able to borrow under the auxiliary (PLUS) loan aspect of the GSL program to help meet this expectation.

Question: How much would this proposal reduce program costs in fiscal 1982? In fiscal 1983? In fiscal 1984?

Answer: Assuming an April 1, 1982 effective date, this proposal would save $16 million in 1982, $59 million in 1983, and $111 million in 1984.

DEFAULT RATE

Question: At a time of severe fiscal restraint, the Committee believes every possible action must be taken to prevent defaults and to collect defaulted loans.

In fiscal 1981, what was the default rate for the GSL program?

Answer: As of September 30, 1981, the Guaranteed Student Loan program cumulative default claims rate was 15.5 percent under the Federal Insured Student Loan (FISL) program, 10.3 percent under the guarantee agency insurance/Federal reinsurance program, and 12.3 percent overall. The respective net default rates, which take Federal and guarantee agency default collection activities into consideration, were 9.1 percent for the FISL program, 3.7 percent for the guarantee agency programs, and 5.8 percent overall.

Question: How much did it cost the Federal government to pay for these defaulted loans?

Answer: The default rates just cited reflect the cumulative history of the GSL program. FISL default claims have cost the Federal Government a total of about $824 million over the last 15 years, while Federal reinsurance payments to guarantee agencies have totalled approximately $760 million. These figures do not take into account default collections and insurance premium receipts.

In fiscal year 1981, GSL default claims totalling $234.7 million were paid. When related Federal administrative costs as well as collections and insurance premium receipts are taken into account, 1981 net GSL default costs were $170.4 million. This amounted to about 7 percent of 1981 GSL program costs.

DETECTION AND REDUCTION OF FRAUD AND ABUSE

Question: What measures have you undertaken to detect and reduce fraud and abuse in the Guaranteed Student Loan program?

Answer: In a complex program whose annual participants include over 3.5 million new borrowers, 8,000 schools, 13,000 lending institutions, and over 50 State-level guarantee agencies, there is considerable opportunity for unintentional administrative error and abusive but not illegal practices, as well as for outright fraud by program participants. Considering the size and complexity of this program, we believe the amount of intentional fraud and program abuse is relatively low.

We believe that unnecessary and excessive GSL borrowing, related to the extremely high level of Federal interest subsidization, is a serious form of legal program abuse. Under the current law, a borrower and his family may use the GSL program as a source of zero interest borrowing during the in-school period (and low interest thereafter) while leaving otherwise available funds invested at a market return. At times of high money market rates, the incentive to use the GSL program for essentially investment purposes is especially strong. We believe that the skyrocketing GSL volume growth of recent years (300 percent growth between 1978 and 1981) at a time when college enrollment and costs have been relatively stable indicates that many of these loans are being taken out because of the subsidy and not because they are really needed. The Department's legislative proposals would address this problem by imposing a need test on all regular GSL borrowers and by raising the origination fee--thus slightly reducing the subsidy level.

The complicated problem of GSL defaults undoubtedly involves some intentional program abuse. For several years now the Department has been vigorously pursuing Federal Insured Student Loan (FISL) defaults. Justice Department litigation as well as improved tracking and collection efforts have substantially reduced outstanding defaults in this part of the GSL program. New statutory authority to use IRS address information to track defaulters is now being used by the guarantee agencies. We are now implementing in the FISL program a system of reporting defaulters to consumer credit bureaus. Borrowers are now warned on their Federally insured loan applications that default could result in serious harm to their ability to receive consumer credit. However, we would point out that Congress has not required, or given the Education Department authority to require, similar reporting to credit bureaus in the case of guarantee agency insured GSLs--which now constitute about 95 percent of new GSL volume. In general, we believe that many defaults are related to excessive debt. Again, we believe that our legislative proposals would help reduce both unnecessary debt levels and potential defaults.

Isolated instances of intentional program abuse and outright criminal fraud by borrowers, school officials and lenders are identified and pursued through Department program reviews and audits, and through Office of Inspector General and Justice Department investigations. Typically, these cases involve the submission of false information in connection with loan applications or default claims. Recently one major GSL lender pled guilty to making false statements to the Government relating to default claims, and was fined $31,000 under the new criminal penalties provisions of the Higher Education Act. This case also involved a $3.75 million civil settlement with the Department.

USE OF PRIVATE COLLECTION AGENCIES

Question: The Department currently has authority to allow private collection agencies to collect defaulted loans, and to disclose the mailing addresses of taxpayers who have defaulted on student loans. What use has been made of these authorities?

Answer: In January, 1979, the Department contracted with two private collection agencies to perform collection activities associated with the Guaranteed Student Loan (GSL) program under a pilot project. As a result of the success of this pilot project, additional contracts were signed in November, 1981, with Gulf Coast Services of Houston, Texas and PAYCO American of Columbus, Ohio to collect on both GSL and National Direct Student Loans. Gulf Coast Services will operate out of Atlanta and Chicago and will be paid a commission rate of 24.5 percent on a strict contingency basis. PAYCO will operate out of San Francisco, and will be paid a commission rate of 38 percent. Both agencies will share the normal taxpayer address information which the Department uses.

Question: What has been learned from the cost-benefit analysis of the use of private collection agencies in the Guaranteed Student Loan program?

Answer: The cost-benefit analysis performed for the Department by Booze, Allen and Hamilton Inc. determined that Federal and private collection agency costs and efectiveness were relatively close. The analysis could not reach a more precise conclusion because of the difficulty in assessing the differences in Federal versus collection agency portfolios.

Question: What Department of Education regions are likely to have private collectors under contract to the Federal Government?

Answer: Contracts have been let to private collection agencies operating in Atlanta, Chicago and San Francisco (Department of Education Regions IV, V, and IX, respectively).

SELECTION OF COLLECTION AGENCIES

Question: The Department recently issued three contracts to two large collection agencies for the collection of defaulted loans.

Why did the Department choose large collection agencies as opposed to smaller, local credit bureaus?

Answer: The Department let only three contracts in order to ensure the most efficient and cost-effective collection of our defaulted accounts. We had proposed to transfer over 400,000 accounts to the collection agencies in the first year of the contracts alone, and had determined that the Department's interests would be best protected if we entered into agreements with a few agencies capable of handling the large workload rather than with many smaller agencies whose efforts would require greater coordination. The flow of information could be better controlled, the Department would have better control over agency performance and monitoring would be less costly. Moreover, we felt that agencies with national capabilities would be better able to handle loan portfolios which are national in terms of defaulter location. Also, we felt that extensive automated data processing capability is needed to track the large volume of accounts being transferred to the agencies, to update account information, and to facilitate the exchange of information between the Department and the agencies.

Question: Before deciding to issue the contracts to the large agencies, did the Department do any analysis of the relative effectiveness, in terms of collecting loans, of large versus small credit agencies?

Answer: As just discussed, the Department concluded, based on its own collection experience and based on the pilot project, that a few larger rather than many smaller collection agencies would be more effective in handling the Department's extensive and national loan portfolios.

Inasmuch as one group of small collection agencies (banded together under a consortium arrangement) did protest the Request For Proposal after it was published in the summer of 1981, we believe it is appropriate to mention the conclusions of the Comptroller General of the United States as expressed in his decision memorandum dated December 23, 1981 denying these protests. In brief, the protestors asserted that the need for offices in each of the contract-designated cities was overly restrictive and limited the competition. The Comptroller General noted that government procurement officials are generally in the best position to know the Government's actual needs, and supported the Department's contention that the requirement was not overly restrictive. The Comptroller General also agreed that the requirement that the offices be in the contract-designated cities was not unreasonable given the need for a close and coordinated relationship between the Department's regional offices and the collection agencies.

The Comptroller General also determined that the hardware and software requirements were not unreasonable or overly restrictive. The charge that the programming requirements of the solicitation favored the pilot project collection agencies was dismissed because the type, age and volume of loans under the pilot project and the newer collection agency effort are different. Moreover, the Comptroller General recognized that as long as incumbents are not given preferential treatment, their competitors have no basis to object merely because of their having the equipment utilized in the prior contracts.

Finally, in response to general objections to monitor placement, traning, quality control, and internal updating of files, the Comptroller General agreed that since the collection agency cannot authorize loan adjustments or deferments, the Department's requirement of an on-site monitor to make immediate decisions would facilitate loan collection, and that approval of the agencies' training programs would assure the collector's familiarity with applicable laws and regulations and the proposal's scope of work. Given the volume of work to be handled, the Comptroller General agreed that the Department has a legitimate interest in the contractors' quality control and its capability to update its collection files.

ROLE OF MR. NAZZERINO COLUZZI

Question: I am informed that the contract officer, a Nazzerino Coluzzi, has now left the Department and taken a job with one of the collection agencies that received a contract. Is this true? If so, has the Department looked into this matter to determine whether there were any irregularities in the awarding of the contract?

Answer: Mr. Nazzerino (Nat) Coluzzi was an employee of the Department/Office of Education from 1966 until January, 1982. During that time he was a senior supervisor in the Guaranteed Student Loan program. At no time did he occupy the position of a contract officer as that term is used in the Department of Education.

Mr. Coluzzi was primarily responsible for overseeing the drafting of technical specifications which went into the request for a proposal submitted on three collections contracts during 1981.

Three collections contracts were awarded: To Gulf Coast Services for the Chicago and Atlanta collection operations and to PAYCO American for the San Francisco site. These contracts were awarded under the strictest of controls imposed by the Division of Grants and Contracts Management in the Department of Education. Mr. Coluzzi participated in the technical proposal review process along with a number of other professional staff in the Department who were familiar with loan collection activities. However, Mr. Coluzzi and all other Office of Student Financial Assistance staff were excluded from the contract award process, which is conducted solely by the Division of Grants and Contracts Management.

It is true that following Mr. Coluzzi's retirement from the Department of Education in early January of this year he did enter into a consultant agreement with PAYCO American.

We have been informed that Mr. Coluzzi discussed his employment relationship with PAYCO American with the Department Ethics Counselor. Mr. Coluzzi was advised that as long as he had not negotiated employment opportunities with PAYCO American before he left Federal service and that he will not represent PAYCO American before the Federal Government with respect to the particular collections contract under discussion, no applicable conflict of interest law or regulation will have been violated. To the best of our knowledge the facts do not support a conclusion that any Federal law or regulation has been violated.

COLLECTION AGENCY QUALIFICATIONS

Question: I am also told that many credit bureaus do not take referrals from one of the contractors, GC Services, because it routinely fails to comply with the validation requirements of the Fair Debt Collection Act. Is this true? Did the Department check into the record of the contractors prior to issuing the contracts?

Answer: Background information and supporting references are routinely requested in any proposal. The successful contractors were found to meet all applicable standards in the awarding of the contracts. More specifically, the Department checked the respondents' compliance with a number of collection-related functions, including their dealings with credit bureaus. It found no evidence that specific credit bureaus would not deal with any of the agencies involved.

INTEREST RATE ASSUMPTIONS

Question: The budget justification states that the "budget assumption" for Treasury bill rates in the second quarter of FY '82, which we're in right now, is 10.5 percent.

What is the current Treasury bill rate?

Answer: The average 91-day Treasury bill rate for the quarter ending March 31, 1982 was 13.57 percent.

Question: How can the Committee be expected to trust Department estimates when they are based on such low estimates?

Answer: Predicting Treasury bill rates is a difficult matter and it involves many variables not in the control of the Administration. We would like to point out that the Treasury bill rates have in fact been dropping from their previously high levels. For example, the rates have dropped almost 2-1/2 points over the past five weeks. At the current pace, the rate will be down to the level of our second quarter projection in about a month.

Question: For each percentage point error in assumptions, how much does this affect program cost estimates?

Answer: A percentage point error, if it were to exist over the entire year, would affect current law GSL program cost estimates by about $225 million in FY 1982 and $250 million in FY 1983.

ORIGINATION FEE

Question: The Omnibus Budget Reconciliation Act of 1981 required a 5 percent origination fee on all Guaranteed Student Loans made after August 15, 1981.

How much do you estimate this saves the Federal Government in in-school interest subsidies?

Answer: The effective date provision in the law for the origination fee was changed so that this fee would only be applied to loans for which lenders mailed the promissory notes to borrowers after August 23rd. Potential fiscal year 1981 savings were thus reduced due to the liberal effective date provision and a nationwide rush on the part of lenders to mail out notes. Thus, only $19.6 million was saved in fiscal year 1981. Based on full-year implementation, this provision is expected to save the Government $397 million in fiscal year 1982 and $424 million in fiscal year 1983 in interest subsidy costs. Under our proposals (assuming an effective date of April 1), an additional $93 million would be saved in fiscal year 1982 and an additional $170 million in 1983. This would bring total savings due to the loan origination fee to about $490 million in fiscal year 1982 and $594 million in 1983.

Question: What portion of all GSLs for academic year 1981-82 were made before August 15, 1981?

Answer: We have no mechanism for tracking GSL activity by academic year. We estimate that at least $5.85 billion or 75 percent of the $7.8 billion dollars in fiscal year 1981 loan volume was made prior to August 15. However, as just discussed, many students who did not receive their loans until after August 15 were able to avoid the loan origination fee provisions by having the lender mail the promissory notes to them prior to August 23rd.

NEED ANALYSIS

Question: The Omnibus Reconciliation Act of 1981 modified eligibility requirements for Guaranteed Student Loans to require a "need test" for students with family incomes of over $30,000.

How will this affect loan volume and Federal costs for this program?

Answer: We originally estimated that the need test, as instituted by the Omnibus Budget Reconciliation Act, would reduce dollar borrowing by about 10 percent. First quarter fiscal year 1982 loan volume data slightly exceeded the pace of the equivalent period last year. However, it appears that much of the volume for that quarter represents either a backlog from the fourth quarter of fiscal year 1981 or loans made to students who avoided the need test provision for this academic year by having schools certify their applications prior to the October 1, 1981 deadline. Preliminary data from the second quarter of fiscal year 1982 supports the 10 percent reduction estimate. In terms of Federal costs, the current need test is expected to save about $100 million in fiscal year 1982 and approximately $225 million in 1983.

Question: How many students who were eligible to receive Guaranteed Student Loans in academic year 1981-82 will not now be eligible?

Answer: As indicated previously, we cannot track loan volume by academic year. However, we would estimate that although loan volume will drop 10 percent as a result of the need analysis provision, the number of borrowers will be reduced only by about 5 percent. This is because the loan eligibility of many students will be reduced but not eliminated under the need analysis limitation.

INSURANCE AND REINSURANCE PREMIUMS

Question: The Administration is proposing to increase the maximum insurance premium charged on federally insured loans from 1/4 percent to 1 percent, and to charge guarantee agencies a "reinsurance premium" equal to one-half of their insurance premium income.

How do these proposals differ from current law?

Answer: Under current law a Federal Insured Student Loan (FISL) premium of 1/4 percent is remitted by the lender to the Department of Education. Raising the premium to one percent would bring the FISL program (which now accounts for only about 5 percent of new Guaranteed Student Loan volume) into line with the guarantee agency programs--most of which already charge one percent premiums. This proposal should quadruple the Department's receipts from a projected $2 million in fiscal year 1983 under current law to about $8 million.

Guarantee agencies are permitted to charge a maximum one percent insurance premium as an offset against future default losses. Most agencies charge this maximum amount. (Only two agencies charge no premium, and nine now charge less than one percent.) But since Federal reinsurance covers 100 percent of agency default losses in most instances, the agencies actually bear little or no liability for the expense of defaults. This allows agency imposed insurance premiums to be invested by the agencies, with investment earnings used to pay administrative costs. As new GSL loan volume has increasingly shifted from direct Federal insurance to guarantee agency insurance/Federal reinsurance, the income produced by insurance premiums has thus become increasingly unavailable to help meet default costs. Our assessment of agency reserve funds shows that the entire premium is not needed to maintain the solvency of the funds. (Several agencies had substantially more income than expenditures in 1981.) We therefore propose that one-half of the agencies' insurance premium receipts be remitted to the Department to help offset default costs. This proposal would save $102 million in fiscal year 1983.

Question: How much would implementation of these proposals increase costs to students for taking out GSLs?

Answer: For the most part, the implementation of the "reinsurance premium" proposal would have no impact on the student, since most agencies already charge the one percent regulatory limit. It would simply mean these agencies would have less money drawing interest in their reserve funds. The few agencies that charge less than one percent could decide to pass the additional cost on to borrowers by raising their insurance premiums.

The Federal Insured Student Loan insurance premium proposal would increase the typical student's costs by about $45. As mentioned above, however, this increase would merely bring this cost into line with costs already charged most borrowers under the Guarantee Agency programs. Since the Guarantee Agency programs now account for 95 percent of the Guaranteed Student Loan volume, the number of students affected by our proposal would be small.

ELIMINATION OF THE SPECIAL ALLOWANCE

Question: The Administration is proposing to eliminate the special allowance for student loans two years after graduation, and make students pay market rates for loans.

What limit would be set on the interest rate students would have to pay after the special allowance ended?

Answer: For the most part, we would expect that the marketplace itself and the good sense of the lending community will protect the borrower from excessive outyear interest rates. However, in order to protect the borrower from interest "gouging," the legislation we have submitted would allow the Secretary of Education to set "reasonable limits" on the rates lenders may charge during the final payout period. These limits would be set by regulation after consultation with the lending community. They would give considerable room for the market to operate, and they would be designed to allow lenders full discretion in choosing the method of interest calculation.

At the time the loan is initially taken out the lender would be required to inform the borrower concerning the interest rate which will be charged beginning two years after the borrower leaves school. Within the broad regulatory limits, lenders would be free to set their own interest rates, on either a fixed, variable, or adjustable basis--exactly as they do on non-Federally supported consumer loans. We expect that this will result in healthy market competition to the benefit of all concerned.

Question: How much money would this provision save?

Answer: Substantial savings would not accrue from this proposal for several years since it could only apply to new borrowers, and it would take effect two years after the borrower leaves school. However, assuming that average T-bill rates decline to under 6 percent by fiscal year 1987, over $70 million would be saved in that year. At T-bill rates closer to today's rates, many times this amount would be saved.

REDUCTION IN STUDENT AID

Question: The Administration is proposing to reduce discretionary funding for student aid programs from $3.3 billion to $1.8 billion, a reduction of $1.5 billion. How do you explain a cut of this magnitude?

Answer: The reduction in student assistance is consistant with the President's Economic Recovery program which seeks to reduce rising Federal payments. States, institutions, middle income families, and students will be encouraged to bear a larger share of the financing of higher education. As Federal deficits decline, a healthier economy will be created which will be more capable of nurturing a viable system of higher education.

The dollar reduction in student financial assistance does not imply any diminution of the Federal intent to reduce financial barriers to postsecondary education. The resources available will be carefully targetted to maximize the dollars available for the neediest students.

It should also be noted that the reduction cited in the student financial assistance account does not take into consideration the Guaranteed Student Loan Program, the largest and most costly of the Federal student assistance programs. The budget request projects increased loan volume under that program. This total loan volume in conjunction with grants, direct loans and work-study awards is expected to provide more total aid to postsecondary students than has been available in any other previouus year.

Question: To what extent has funding for discretionary student aid such as Pell Grants or Direct Loans been traded off in order to help pay for the increased costs of the GSL program?

Answer: Under any given budget constraints, trade offs are inevitable. If the cost control measures proposed in the Budget request for the Guaranteed Student Loan program are not enacted, we could easily be confronting a situation in the near future where these costs could threaten even more drastically other student assistance funding.

Question: In your opinion, what role, if any, should the Federal Government have in helping to maintain access to postsecondary education, and choice of institution?

Answer: We must continue to ensure educational opportunity for all Americans to suitable forms of postsecondary education. That fundamental and worthwile Federal goal will continue to be supported by this Adminstration.

The student aid program reforms proposed to Congress will target program benefits on the most economically disadvantaged. This we believe will continue to ensure access to postsecondary education. In all other instances, the student and his or her family have the prime responsibility for meeting the expenses of postsecondary education. Choice of institution is largely a matter of student and family discretion. Some students and their families may be willing to contribute more or incur higher loan indebtedness to attend a more costly institution. Our loan programs provide a subsidized means of financing these higher cost schools. In other instances, students may opt to keep indebtedness to a minimum by attending a lower cost instituion.

Question: Do you believe this budget maintains access?

Answer: Yes. The proposed fiscal year 1983 Budget maintains the assurance of access to suitable forms of postsecondary education for those students who demonstrate financial need. The resources available have been carefully managed to maximize the dollars available for students who are most in need so that their access to a postsecondary education may be presurved.

1983 PELL GRANT APPROPRIATION

Question: The Administration is proposing to reduce the appropriation for Pell Grants from $2.279 billion in fiscal 1982 to $1.4 billion in fiscal 1983. The Department estimates this would reduce the number of recipients from roughly 2.7 million to 1.8 million, and the maximum grant would drop from $1,800 to $1,600. How does the Department rationalize a 38% reduction in funding?

Answer: One of our priorities in the administration of the Pell Grant Program is to restore the traditional role of the student and his or her family as the primary financier of postsecondary education. In an era of limited Federal aid, this objective must be considered in all budget related issues.

Question: What group of students would primarily lose benefits?

Answer: As a part of our budget policy, we intend to target program benefits to the most economically disadvantaged, that is, a student from a family of four people with an income below $12,000. Therefore, those students who were made eligible by the liberalization contained in the Middle Income Student Assistance Act will be the most affected by the Department's proposals for 1983.

Question: Implicit in this cutback is the notion that the Pell Grant Program has been serving a much larger population than it really ought to. Do you feel this is the case? Why?

Answer: Limiting the amount of Federal aid distributed to middle-income families and targeting the limited aid available to the neediest does stem from a position that the Pell Grant Program has been serving a much larger population than it really should. Low income taxpayers should not be subsidizing middle income families. The principal focus of the Pell Grant Program should, as noted before, emphasize the traditional role of the student and his or her family in financing postsecondary education as well as targeting the Federal Government's role on the most economically disadvantaged.

DISTRIBUTION OF CAMPUS-BASED PROGRAM FUNDS

Question: The Commitee is aware that the so-called campus-based student aid programs (Supplemental Educational Opportunity Grants, National Direct Student Loans, and College Work-Study), have a very complicated allocation formula. To simplify matters, the Committee last year, at my behest, included language to provide that each state should have its allocation under the SEOG and NDSL programs ratably reduced. The Committee was informed by the Department that these provisions were enacted by the Continuing Resolution. Now the COmmittee understands the Department may issue tentative grant awards under the old allocation formula. Why is the Department doing this? On what grounds are you circumventing both the law and clear Congresisional intent?

Answer: The Third Continuing Resolution clearly provided for a pro rata reduction of Direct Loan State allotments and from the beginning, we had intended to issue Direct Loan tentative 1982-83 allocations on that basis. Although there were differences between the House and Senate versions of the fiscal year 1982 appropriation bills, the Department interpreted the Continuing Resolution to allow the procedure provided for the Supplemental Grant program which was same as provided for the Direct Loan program. However, Work-Study was not addressed at all. Therefore, we had to follow the procedures provided under the authorizing legislation.

EFFECT ON TUITIONS

Question: Your budget justification suggests that as Federal support for higher education has increased, tuitions have risen. You go on to state: "To address this rising spiral of costs and Federal payments, and to thereby control one source of inflationary pressure, the 1983 budget proposes to reduce the level of Federal contribution to student financial assistance." On what evidence do you base your assertion that increased Federal support of higher education is a major contributory factor in increasing tuition costs?

Answer: The assertion that increased Federal payments contribute to inflation is more related to Federal deficits than to college tuition. However, increasing Federal appropriations for student aid may contribute to tuition inflation. Over the immediate past, college enrollment growth has been down from levels caused by the baby boom. Yet, this leveling of the enrollment figures, to an average yearly increase of 4.4 percent between 1973 and 1979, has come when Federal financial involvement was exploding--increasing by an average annual rate of 58 percent. At the same time, college costs increased about 6 to 9 percent, annually doubling during the decade of the 70's. Colleges may have in many instances simply passed along increasing costs by raising tuition, because it appeared that the Federal Government would simply increase its expenditures to students to cover these increases.

Question: What makes you think that cutting back on Federal support will stabilize or help reduce tuition cost?

Answer: Reducing Federal support and reducing Federal expenditures will reduce the inflationary pressure on our economy. As inflation is reduced, those costs sensitive to inflation at higher education institutions will be reduced which will we hope be passed along to the students through lower tuitions. As competition increases among institutions for students, which may result from the declining number of college age students, lowering tuitions may be a tool used by institutions to bolster their enrollments.

GAO REPORT

Question: Last December, the General Accounting Office issued a report entitled "Students Receiving Federal Aid Are Not Making Satisfactory Academic Progress; Tougher Standards Are Needed." The general conclusion of this report was that "Weak and non-specific Federal requirements on academic progress have led to abuse of the student aid programs, particularly those administered by ED and SSA." (Department of Education and Social Security Administration) What is the Department's response to this criticism? Do you concur with it?

Answer: The Higher Education Act of 1965 requires that in order to receive financial aid under the Title IV student assistance programs a student must be maintaining satisfactory progress according to the standards and practices of the institution in the course of study he or she is pursuing. Because the law specifically provides that these standards are to be set by the institution, the Department, in the past, has not addressed in regulation the content of institutional standards of satisfactory progress. However, our own findings, through program reviews and audits, as well as the findings of the GAO study, indicate that the lack of reasonable standards and adequate enforcement of such standards constitute an abuse of the Federal student aid programs at a number of institutions. We agree that additional action by the Department is necessary. To remedy the problem, we have developed, and plan to publish shortly, proposed regulations to help ensure the integirity of the student aid programs without encroaching on the current statutory prerogative of institutions to establish specific satisfactory progress standards.

Question: To correct this situation, does the Department require legislation to set and enforce reasonable performance standards? What kind?

Answer: The proposed regulations being developed are based on a set of guidelines which were developed and approved by a number of associations representing the postsecondary education community. Our objective is to implement the concept of self-regulation by adopting community-developed standards. We feel this particular objective can be implemented under the current statute without the need for any additional legislation. Also, there is a legislative proposal by the Administration to address this issue--that is, eligibility for Pell Grants be limited to five academic years. This was eliminated from the original legislation by the Education Amendments and needs to be restored.

Question: What can the Department do right now through regulatory action to enforce tougher academic standards?
Answer: The regulations we are developing simply equate reasonable standards with the adherence to policies of good practice as developed and accepted by the education community. Adherence would be demonstrated by conformance with the standards of satisfactory progress set by the institution's nationally recognized accrediting agency, if applicable, and incorporate certain basic elements developed by the community. This community-based initiative increases Departmental control of institutions' satisfactory progress standards to the extent possible under current legislation while still preserving the statutory element of institutional discretion in setting specific standards.

The community-developed elements to be incorporated into institutions' standards of satisfactory progess under these regulation include:

1. Grades, work projects completed, or comparable factors which are measurable against a norm;

2. A time frame in which the educational objective (i.e., degree or certificate) is to be successfully completed;

3. Consistent application of standards to all students within categories of students (e.g., full-time, part-time, undergraduates, graduate students) and programs established by the institution;

4. Specific policies defining the effect of incompleted courses, and repetitions of courses and non-credit remedial courses on satisfactory progress; and

5. Specific procedures for appeal of a determination of making unsatisfactory progress and for reinstatement of aid upon correction of deficiencies.

In addition, these regulations require that an institution's standards for Title IV aid recipients be the same or stricter than the institution's standards for progress toward and successful completion of the education objective.

NATIONAL DIRECT STUDENT LOANS (NDSL)

Question: Earlier this year, the Secretary of Education issued a regulation barring schools with a default rate in excess of 25 percent from receiving further amounts from the annual capital contribution (appropriation) for the National Direct Student Loan Program. How many schools would be affected by this regulation?

Answer: Based on preliminary data for award period 1980-81, we estimate tht a maximum of 700 institutions will be affected by the regulation.

Question: What has been the reaction to this regulation?

Answer: There has been both favorable and unfavorable reaction to this regulation. We have received written comments from several institutions and national organizations that have supported the proposed Direct Loan default penalty. The reaction from these sources was that the proposal had merit and is very necessary since other efforts have not succeeded in forcing institutions to be more diligent in collecting direct loans. The Department was praised for trying to improve the Direct Loan program by making institutions more accountable for loans that they have awarded to students.

On the other hand, many commenters felt that the proposed default rate penalty was too harsh. Some commenters contend that an institution's default rate depends on many factors beyond its control, such as the type of student served by the institution. We also received comments that 25 percent was unrealistic and arbitrary and that the default penalty was unfair to small and new institutions.

Question: For fiscal 1983, the Department is requesting no new Federal contribution for NDSLs. Does not the absence of any new appropriation remove any teeth this regulation had?

Answer: Yes, if there is no new Federal Capital Contribution in fiscal year 1983, the default penalty regulation has no effect on institutions. However, the absence of new Federal funds could make it even more important for institutions to be more diligent in collecting Direct Loans so that there will be additional funds to relend.

Question: If you had no new appropriations for NDSLs, how would you proceed to try to reduce default rates?

Answer: We would try to reduce default rates through continuing program reviews and audits of institutions' billing and collection procedures to ensure that institutions are diligent in collecting Direct Loans. In addition, we would continue to provide training to institutions on the Direct Loan program and in particular on due diligence procedures. We would also continue to emphasize the importance of collecting Direct Loans so that institutions will have funds to relend.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOGs)

Question: The Administration is requesting no funds for the supplemental Educational Opportunity Grant program, which received $279 million in Fiscal 1982. This program was designed as a complement to the Pell Grant program, to provide additonal support to needy students and to help assure an element of choice in students' decisions for postsecondary education. How are both students and participating institutions supposed to make up for this level of student aid in one year?

Answer: The Administration is striving to restore the traditional role of the student and his or her family as the primary source for financing postsecondary education. Students with financial need will be eligible for Work-Study, Guaranteed Student Loan and Pell Grant funds. In addition to Federal funds, students are encouraged to seek institutional and State financial aid and to seek part-time employment to help pay for their educational costs.

Question: Since an undergraduate can borrow only $2500 from a GSL, and receive (under your proposal) a Pell Grant of $1600, won't the termination of the SEOG Program effectively eliminate the possibility of low-income students attending high cost institutions?

Answer: In addition to a Pell Grant, Direct Loans and a Guaranteed Student Loan, low-income borrowers with financial need will also be eligible for Work-Study funds. Also, institutions will still have the option of transferring 10 percent of their Work-Study funds to the Supplemental Grant program to make grants to eligible students. Low-income students should also be encouraged to seek institutional and State financial aid, and to seek part-time employment. The Job Location and Development program may be used to help find jobs for these students.

Question: Do you believe there is no Federal role in expanding the choice a student has in his or her decision where to attend school?

Answer: The student assistance programs have traditionally been cost sensitive--recognizing the differing costs among institutions and thereby expanding the range of choice for students. This Administration does believe, however, that families and students must make some trade-offs and be prepared to contribute more, and/or assume more indebtedness, if they select a higher cost option.

DIRECT LOAN DEFAULT RATES

Question: With respect to the National Direct Student Loan program, what is the most recent default rate and what progress has the Department of Education made in reducing this rate in the past several years?

Answer: Preliminary data for the award period ending on June 30, 1981, show an institutional default rate of 11.07 percent. For the award period ending on June 30, 1980, the institutional default rate was 11.88 percent. The institutional default rate was 11.90 percent for the period ending on June 30, 1979.

The Department also calculates a potential loss rate for the Direct Loan Program. This rate reflects the default status of all loans in default, whether the loans are held by institutions, or have been referred or assigned to the Department of Education for collection. The preliminary national potential loss rate, as of June 30, 1981, which is based on partially edited data, is 15.11 percent. For the award period ending on June 30, 1980, the national potential loss rate was 16.10 percent. The national potential loss rate was 16.04 for the period ending on June 30, 1979.

Question: What is the total amount of the Department of Education principal that currently is considered to be in default?

Answer: Preliminary data for the award period ending on June 30, 1981 show that $636.5 million are considered to be in default out of approximately $5.7 billion of matured principal accounts at institutions participating in the Direct Loan Program.

Question: About how much of this total amount of the National Direct Student Loan program principal currently in default might eventually have to be written off as "uncollectable"? How are such determinations made?

Answer: Historically, given the nature of the program, the Department has considered all loans to be collectable. Institutions currently do not have write-off authority. The Department does not collect data from institutions on the number of uncollectable loans under the Direct Loan Program. Of those loans assigned to the Department to date, 13 have been determined to be uncollectable. In these cases the statute of limitations had run out on the loans and the borrowers had raised this situation as a legal defense.

Question: Is the current estimate for "uncollectable" National Direct Student Loans higher or lower than comparable totals of two years ago?

Answer: As indicated in the response to the previous question, since the Department has considered all loans to be collectable, there is no current estimate of "uncollectable" loans, nor is there an estimate from two years ago.

Question: What are the principal reasons for new student defaults under the National Direct Student Loan Program?

Answer: The principal reasons for new student defaults under the Direct Loan program is the borrower's inability to pay because of unemployment, low pay or temporary financial hardship. Institutions in areas with high mobility and a high level of poverty are likely to experience higher defaults as are institutions with an open-door policy, a high drop-out rate and a higher percentage of low-income students.

WORK-STUDY

Question: The Administration is requesting $397.5 million for Work-Study programs, a reduction of $130.5 million from the fiscal 1982 appropriation of $528 million. The justification states that: The Administration recognizes the significant role of student self-help in financing postsecondary education and the contribution of this program in assisting students obtain jobs." The Committee also believes that self-help through a job is a very important part of the educational process. Since the Administration claims to hold the Work-Study program in such high regard, why has it requested a 25 percent reduction in funding?

Answer: The Administration recognizes the significant role of student self-help in financing postsecondary education and supports the Work-Study Program. Therefore, $397,500,000 has been requested for this Program in fiscal year 1983. While this does represent a reduction in funding, it is consistent with the goals of the President's Economic Recovery Program. It is also felt that Work-Study funds used for Job Location and Development Centers will continue to help local aid administrators develop non-federally subsidized student employment opportunities throughout the community, thus magnifying the impact of Federal expenditures.

Question: How many fewer students will receive jobs under this appropriation request?

Answer: Since we expect average Work-Study earnings to remain stable, the reduction from the 1982 request to the 1983 request translates to a similar reduction in the number of jobs - approximately 160,000. However, it is important to note that the Work-Study program requires a 20 percent institutional match with the 80 percent Federal Contribution. Thus a lower appropriation increases the liklihood of institutional "overmatch". We cannot estimate the magnitude of this overmatch, but we can say that each percentage point of aggregate institutional overmatch produces nearly 7,000 additional jobs.

Question: How many of the jobs provided through this appropriation are off-campus, that is, not directly working for the college or university?

Answer: In both the 1979-80 and 1980-81 award years, approximately 16 percent of the Work-Study jobs were off-campus.

SIMPLIFICATION OF PELL GRANT ADMINISTRATION

Question: The Department is also proposing a set of changes to simplify the administration of the Pell Grant program. Could you briefly describe these?

Answer: The Department is proposing that eligibility for Pell Grant assistance be determined by an analysis of six data elements, as opposed to the 22 elements that are currently used. They are: (1) Adjusted Gross Income of the parents or independent student, (2) Federal taxes paid, (3) Household size based on tax exemptions, (4) Non-taxable income of the parents or independent student, (5) Liquid assets; and (6) Income of the dependent student and spouse.

Question: As you simplify the eligibility determination criteria, how can you guarantee that more well-to-do people with a good knowledge of accounting, won't qualify for Pells?

Answer: The items were principally selected so they could be verified from income tax forms. These items do not appear to be vulnerable to manipulation by people who have accounting knowledge. Items 1, 2, 3, and 6 can be easily verified from income tax returns, while items 4 and 5 may be more difficult but are essential to a fair determination of a family's contribution. The verification factor associated with four of the six elements will help to ensure that only eligible people qualify.

1982 RESCISSION REQUEST

Question: The Administration is requesting rescissions of $91.3 million $44 million and $6.1 million respectively for the Pell Grant, College Work-Study, and State Student Incenctive Grant programs. This would reduce Fiscal 1982 spending by $141 million. How were these rescission levels determined? Why not rescind a total of $100 million? Or $200 million?

Answer: The rescission levels were determined as part of the President's overall budget reform plan. They represent a return to the President's original budget request which were developed to provide a balanced distribution of funds to student aid programs.

Question: How many fewer students will receive benefits under these programs if these rescissions are enacted?

Answer: In Pell Grants the rescission affects the size of awards rather than the number of recipients. However, in Work-Study 70,000 students would no longer be eligible, and in SSIG approximately 25,000 fewer awards would be made.

Question: What, if any, rationale exists for these cuts, aside from a general desire to reduce Federal spending? What educational policy do these reductions support?

Answer: The Administration has begun a long overdue reorientation of the Federal student assistance programs. Having expanded far beyond anyone's expectation these programs need to be restructured to serve those groups originally intended to be served. In the Pell Grants Program, restructuring means targeting program benefits to the most economically disadvantaged. For the other programs the restructuring entails requiring a student to demonstrate financial need.

One of the fundamental principles of the Administration's rationale is to re-establish the traditional role of the student and his or her family as being the primary financier of the costs of postsecondary education. Federal student aid is intended to help the most economically disadvantaged and other students who demonstrate need. But in both groups of students the Federal role begins only after an expected student and family contribution is taken into account.

By targeting Federal student aid program funds only to those who demonstrate financial need, the Administration is continuing to maintain access while lowering the unnecessary increases in program expenditures.

1983 BUDGET REQUEST FOR DIRECT LOANS

Question: The Administration is requesting no funds for an annual capital contribution to National Direct Student Loans. What loan volume was available in Fiscal 1982 for NDSLs?

Answer: In Fiscal Year 1982, we estimate that $560 million will be available for lending in the Direct Loan program.

Question: How much with this request would be available in Fiscal 1983?

Answer: For Fiscal Year 1983, we estimate that at least $430 million will be available to make loans to students. The actual amount could be greater since we cannot estimate the level of potential institutional contributions-the matching amount-in the absence of new Federal capital. Also, if institutions collect more on outstanding loans than we anticipate, there will be more money available for lending.

Question: How many fewer loans do you estimate will be made in Fiscal 1983 than 1982?

Answer: Assuming an average loan of $700, we can expect a maximum of approximately 210,000 fewer loans in fiscal year 1983. However, this number could decrease if institutions decide to increase their contribution to the Direct loan fund. Similiarly, if institutions are able to collect more money from former borrowers, they will have more money to lend and more loans could be made than we might anticipate.

TEACHER CANCELLATIONS

Question: Please describe in detail the Administation's proposal for NDSL loan cancellations.

Answer: There are two legislative proposals for the Teacher Cancellation portion of the Direct Loan program. First, the Administration is proposing that no cancellation commitments be included as part of the loan agreement with new borrowers. The Teacher Cancellation program was primarily established to encourage students to enter the field of teaching. This incentive is no longer necessary. In addition, the Administraton is proposing that reimbursement to institutions equal 10 percent of the amount cancelled --that portion of the loan made with instititonal funds--rather than the previous 100 percent. This reimbursement would go directly to institutions and not to the revolving fund. This duplicates the procedure for Direct Loans that is used for Defense Loans.

Question: Does this require legislation?

Answer: This would require an amendment to the statute.

Question: Has it been submitted to the proper authorizing committees?

Answer: We are currently in the process of submitting the amendment to the authorizing committees.

Question: Are additional funds required in fiscal year 1982 for loan cancellations? Why not?

Answer: In order to meet our 1981 commitments in the Teacher Cancellation program, $3,936,862 from the 1982 appropriation was added to the $14,800,000 already authorized to meet our commitment of $18,736,862. Since the institutions have not yet communicated their cancellation levels for 1982, we do not yet have a firm estimate of that need.

STATE STUDENT INCENTIVE GRANTS

Question: For fiscal year 1983, the Department is requesting no new appropriation for the State Student Incentive grant program. Over the years that the State Student Incentive Grant program has been funded by Congress, how "successful" has this program been in stimulating States to increase their funding support for programs of State student aid?

Answer: In 1973-74, the year before SSIG was first funded, State grants nationwide totaled $364.2 million, according to the 12th Annual Survey, National Association of State Scholarship and Grant Programs--NASSGP. By 1980-81, when the SSIG appropriation had grown to $76.75 million, total State grants reached $912.0 million, an increase of $547.8 million. The 12th NASSGP Survey report attributed this growth "to a large degree" to the SSIG Program.

Question: How many States have initiated State student aid because of this Federal program?

Answer: In fiscal year 1974, the first year of SSIG operation, funds were provided to expand existing scholarship programs in 27 States and to support new programs in 14 States. By 1977, the student assistance delivery network included all 50 States, plus the District of Columbia, Puerto Rico, and the Virgin and Pacific Islands. Administrative costs are paid by the States.

Question: In general, how do these State-initiated programs differ from Federal assistance programs?

Answer: They differ in many ways:

States pay all administrative costs and match their Federal allotments dollar for dollar.

State grant programs vary widely, according to the State's system of financing higher education.

Some State programs offset tuition costs by basing SSIG awards on "relative need," defined as the cost of attendance less the student's resources from family and other student aid. In some States, students who do not meet the SSIG need criteria receive tuition grants out of State-only funds.

Some States accommodate the special needs of students in public 2-and 4-year institutions by giving the largest awards to those with lowest expected family contribution, regardless of the institution selected by the student.

Question: What role do State financial assistance programs currently play in complementing Federal programs?

Answer: State grants may be used to cover that part of student need not satisfied by Pell Grants. This is particularly important in community colleges and other institutions which do not have strong campus-based student aid programs.

States are able to shift their resources to respond to major local catasrophes such as floods, and economic conditions, such as needs for retraining.

States generally have working agreements for coordinating student aid and vocational rehabilitation assistance to meet the unique needs of handicapped students.

Questions: Do State programs address aspects of a student's financial need not covered in the Federal programs?

Answer: With the growth of community colleges and the needs for retraining, State programs have shown a special capacity for accommodating non-traditional students -for example, those who need to update obsolete skills in order to return to the job market, and those who must attend school less than half time while they are continuing with work or family responsibilities.

LOAN CONSOLIDATION PROGRAM

Question: The Education Amendments of 1980 authorized the Student Loan Marketing Association (Sallie Mae) to develop a loan consolidation program for students with several student loans. This program would facilitate repayment and reduce administrative costs to the lender consolidating several loans into one loan.

What steps have been taken to implement the new loan consolidation program authorized by the Education Amendments of 1980?

Answer: Sallie Mae has proceeded with its student loan consolidation program known as "OPTIONS," under a comprehensive certificate of insurance issued by the Department last summer. Sallie Mae made its first loan under this new program in October, 1981, and since that time has made 632 consolidated loans totalling approximately $7.6 million.

Under this new program, a borrower with outstanding student loan indebtedness in excess of $5,000 involving two or more lenders or two or more Federal loan programs (e.g., Guaranteed Student Loans, National Direct Student Loans, and Health Education Assistance Loans), or in excess of $7,500 from a single lender, may request that Sallie Mae purchase his outstanding loans and consolidate them into one loan. Under current law, the new consolidated obligation is a Guaranteed Student Loan with a maximum 7 percent interest rate, obligating the Government to special allowance and all other related GSL costs. Sallie Mae may offer a level, graduated, or income-contingent repayment schedule extending up to 20 years. Sallie Mae is the only lender in the GSL program authorized to offer repayment periods in excess of the normal 10 year limit.

Of the $7.6 million consolidated thus far, about 9 percent represent NDSLs purchased from schools, and 91 percent represent 7 percent GSLs. Thus far, Sallie Mae has chosen to limit its consolidation program to borrowers holding 7 percent GSLs as well as NDSLs (3, 4, and 5 percent interest). It would obviously not be in the fiscal interest of the Government if Sallie Mae allowed borrowers of 9 percent GSLs, 14 or 12 percent Auxiliary (PLUS) Loans, or HEAL loans of up to 18 percent to convert such loans into 7 percent GSLs as provided under current law.

Question: What are the estimated savings of this program to the Federal Government?

Answer: We expect that this program is more likely to result in increased, rather than reduced, costs to the Government.

We believe the major intent of the loan consolidation program (OPTIONS) was not to save Federal costs, but to provide a means of reducing the repayment burden of highly indebted borrowers--primarily by allowing the debt to be spread out over a longer period of time.

In extending the maximum repayment period from 10 to 20 years, providing graduated and income-sensitive repayment schedules, and in converting into expensive GSL loan volume some loans not originally made under the GSL program, the Sallie Mae consolidation program will obligate the Department to additional subsidy costs. As an offset, we would expect some reduction in default costs. However, the potential reduction in defaults is very speculative, and it is unlikely that reduced default costs could outweigh the increase in interest subsidy costs due to higher loan amounts outstanding for longer periods of time. Any assessment of the overall Federal cost effects of this new program would require assumptions about the level of Sallie Mae OPTIONS volume, the mix of underlying loans and interest rates, extremely long term fluctuation of 91-day Treasury bill rates, as well as long term default experience--all of which are very hard to predict.

Assuming Sallie Mae OPTIONS program loan volume of $500 million in fiscal year 1983 (the current limit under the Federal certificate of insurance), assuming current OMB projections of declining T-bill rates through 1987 with a level 5.4 percent rate thereafter through the year 2002, assuming the current mix of underlying loans, and assuming a low default claims rate, we estimate that cumulative Federal costs on this loan volume would be about $12 million higher than would otherwise be the case. Federal costs of this 1983 loan cohort would be about $157 million under the OPTIONS program as compared to $145 million under normal GSL repayment terms, given these very optimistic T-bill rate assumptions. We would note that the cost exposure to the Government would be increased to the extent that the mix of underlying loans is substantially changed. For example, Federal costs would be substantially increased if a large volume of NDSLs were consolidated into GSL volume.

HIGHER AND CONTINUING EDUCATION

STATEMENT OF DR. THOMAS MELADY, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

ACCOMPANIED BY:

CLAUDE MAYBERRY, DIRECTOR, DIVISION OF INSTITUTIONAL DEVELOPMENT

JAMES LOMBARD, DIRECTOR, POLICY DEVELOPMENT STAFF

GARY L. JONES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

RICHARD FAIRLEY, DIRECTOR, OFFICE OF INSTITUTIONAL SUPPORT

SUBCOMMITTEE PROCEDURE

Senator RUDMAN. We will now proceed with the panel for the higher and continuing education, Dr. Thomas Melady, and if you would like to summarize your statement, your entire statement will be put in the record.

PREPARED STATEMENTS

Dr. MELADY. Thank you, Senator. I will submit the entire statement for the record and I will present this brief summary.

[The statement follows:]

Statement of Dr. Thomas P. Melady

I appreciate this opportunity to appear today to present the proposed 1983 budget request and the fiscal year 1982 rescission and supplemental requests for the Higher and Continuing Education account.

The 1983 Budget Request

A principal feature of the fiscal year 1983 budget is the proposal for the creation of the Foundation for Education Assistance. Selected programs in the Higher and Continuing Education account would be transferred to the Foundation, some would be transferred to other agencies and several eliminated. At the same time, however, the 1983 budget will continue to assure Federal support to historically Black colleges. In most other areas, Federal expenditures are being reduced to ease one source of inflationary pressure.

The total amount for the Higher and Continuing Education account under the Foundation proposal is $232,751,000. In addition, $38,601,000 is proposed for programs currently in this account in the Department of Education but proposed for transfer to other agencies in 1983. The total amount requested for all activities currently in the Higher and Continuing Education account is $271,352,000.

Programs to be Transferred to the Foundation for Education Assistance

Of the programs currently contained in the Higher and Continuing Education account, we are proposing that four programs be transferred to the Foundation for Education Assistance. These are: the Special Programs for the Disadvantaged, the Institutional Aid programs, the Fund for the Improvement of Postsecondary Education, and the General Daniel James Memorial at Tuskegee.

Two of the programs proposed for transfer to the Foundation are a vital part of the Federal Government's effort to assure support to historically Black colleges and universities. These programs are the Institutional Aid programs (Title III) and the General Daniel James Memorial at Tuskegee.

In fiscal year 1983, $129.6 million is requested to support the Institutional Aid programs, the same as the revised 1982 level. These programs provide a significant amount of support to historically Black colleges and other institutions that enroll a large number of disadvantaged and minority students. The ultimate goal of these programs is to help these institutions achieve self-sufficiency.

The 1983 budget provides, for the first time, $9 million for the General Daniel James Memorial at Tuskegee. This memorial to General Daniel "Chappie" James will serve as a regional health center, a center for the study of aerospace engineering, and a repository for papers and memorabilia relating to the life of "Chappie" James. Tuskegee Institute is in the process of raising $3 million on its own toward the total cost of the Center.

The Fund for the Improvement of Postsecondary Education, for which $11.9 million is requested in fiscal year 1983, will also be transferred to the Foundation. The request represents a $380,000 increase over the the fiscal year 1982 revised level. Colleges and universities are under great pressure to adapt to changing circumstances. The Fund, by fostering improvements which are not likely to be supported from other sources, plays a vital role in helping colleges and universities to adapt.

Finally, the Special Programs for the Disadvantaged (TRIO) will be transferred to the Foundation. Funding for these programs in fiscal year 1983 will total $82,251,000, $58,109,000 less than the 1982 revised request. This level of funding will be focused on the two more intensive programs--Special Services and Upward Bound--which have been shown to have positive influences on enrollment and persistence of disadvantaged students in four year postsecondary programs. Funding will be eliminated for the three remaining TRIO programs--Talent Search, Educational Opportunity Centers, and Staff Training.

In fiscal year 1983, three programs are proposed for elimination as part of the Administration's effort to reduce Federal spending. These programs are: Cooperative Education, Fellowships for Graduate and Professional Study, and Legal Training for the Disadvantaged.

The Cooperative Education program has been supported by the Federal Government for many years. It has been proven to be an effective method in providing work experiences for students, and today, with more than one third of the Nation's postsecondary institutions having Cooperative Education programs, there is no longer a need for Federal encouragement in this area.

No support is requested for Fellowships for Graduate and Professional Study or for Legal Training for the Disadvantaged. Currently, there are a variety of non-Federal sources of financial support available for minorities and women pursuing graduate study, especially in engineering and science. These include support from postsecondary institutions, foundations and other private sources. In addition, through the Guaranteed Student Loan program's Auxiliary Loan Assistance, graduate students will be eligible for loans of up to $8,000 annually.

Programs to be Transferred to Other Federal Agencies

Programs currently in the Higher and Continuing Education account but proposed for transfer to other agencies are the International Education programs, the Minority Institutions Science Improvement program, and the Interest Subsidy Grant program.

For the International Education programs, proposed for funding under the International Communications Agency, the total request is $10,314,000. This is a decrease of $7,286,000 from the revised 1982 level of $17.6 million. In 1983, emphasis in both the overseas and domestic international education programs will be on activities which contribute most directly to increasing the number of highly trained foreign area specialists.

For the Minority Institutions Science Improvement program, proposed for transfer to the National Science Foundation, the President's request is $3,287,000 for fiscal year 1983. This represents a reduction of about 25 percent from the fiscal year 1982 revised level.

We are requesting $25 million for the Interest Subsidy Grant program, proposed for funding under the Department of the Treasury in 1983. This amount is required to pay interest subsidies on commercial loans for construction projects approved prior to 1974. The request is $500,000 less than the 1982 level since the amount required in 1983 and future years will decrease gradually as loans subject to interest subsidies are retired.

Proposed Fiscal Year 1982 Rescissions and Supplementals

In fiscal year 1982, a supplemental of $5,184,000 is proposed for the Institutional Aid programs. This supplemental, when added to the $124,416,000 currently available under the Third Continuing Resolution, will provide a total of $129.6 million to assist institutions that serve a large percentage of economically disadvantaged students. These programs play a vital role in fulfilling the Federal commitment to assist historically Black colleges and other colleges and universities which serve a large proportion of low-income students. The ultimate goal of these programs is to help participating institutions achieve self-sufficiency.

Rescissions totaling $37,372,000 are proposed for the remainder of the programs in this account for fiscal year 1982. These reductions are part of the Administration's overall effort to reduce Federal spending.

Because most of the programs supported by this account are forward-funded, it is necessary to make substantial cuts in fiscal year 1982 in order to achieve any significant savings in outlays in fiscal year 1983. Therefore, reductions are proposed for six programs while four others are proposed for elimination.

The programs which would be reduced are: the Special Programs for the Disadvantaged, Cooperative Education, the Minority Institutions Science Improvement program, the International Education programs, and Legal Training for the Disadvantaged. The reductions in these six program areas would result in savings of $26,892,000.

An additional savings of $10,480,000 would be achieved by the elimination of the following four programs: Aid to Land Grant Colleges, Public Service Fellowships, Law School Clinical Experience, and Veterans' Cost-of-Instruction. These programs are proposed for elimination because the needs which they were intended to address have, for the most part, been met.

This concludes my opening statement. My colleagues and I will be happy to answer any questions which you may have.

Biographical Sketch

NAME : Thomas P. Melady

POSITION : Assistant Secretary for Postsecondary Education
United States Department of Education

BIRTHPLACE
AND DATE : Norwich, Connecticut March 4, 1927

EDUCATION : B.A. Duquesne University, 1950
M.A. Catholic University of America, 1952
Ph.D. Catholic University of America, 1954

EXPERIENCE:

Present : Assistant Secretary for Postsecondary Education
United States Department of Education
1976 - : President (on-leave)
Sacred Heart University
Bridgeport, Connecticut
1974-76 : Executive Vice President, Professor of Politics,
St. Joseph's University, Philadelphia
1972-73 : Ambassador to Uganda
1969-72 : Ambassador to Burundi

1970 - : Senior Advisor to U.S. Delegation to 25 U.N. General Assembly; Formerly Advisor to African Heads of State
1959-67 : President, African Services Institute
Professor, Afro-Asian Affairs,
1967-69 : Chairman, Department of Asian Studies and Non Western Civilization, Seton Hall University
South Orange, New Jersey
1959-67 : Consultant to Foundation of Governments and Corporations
1957-59 : Former faculty member, Fordham and St. John's Universities
Founder, Institute of African Affairs, Duquene University

Most Notable Honors:

Recipient of 11 Honorary Doctorates
Knighted by Pope Paul VI
Native Son Award, Norwich, Connecticut
Author of 11 books and articles including:

1978 Idi Amin Dada: Hitler in Africa. Speech, Andrews E. McMeel, Publisher.
1976 Uganda: Asian Exiles. Orbis Books.
1974 Burundi: The Tragic Years. Orbis Books.
1973 Development: Lessons for the Future. Orbis Books.
1970 House Divided and Family of Man. Sheed and Ward Publication.

BRIEF SUMMARY

Dr. MELADY. I, of course, appreciate the opportunity to appear today to present the proposed 1983 budget request, and the fiscal year 1982 rescission and supplemental request for higher and continuing education.

A principal feature of the fiscal year 1983 request is the proposal for the creation of a Foundation for Education Assistance. Under this proposal, selected programs in the higher and continuing education account would be transferred to the foundation; some would be transferred to other agencies; and several programs would be eliminated.

Of the programs currently contained in the higher and continuing education account, we are proposing that four of the programs be transferred to the Foundation for Education Assistance.

These are: the special programs for the disadvantaged; the fund for the improvement of postsecondary education; and the General Daniel James Memorial at Tuskegee. The total request of these programs is $232,751,000. Programs currently in the higher and continuing education account but proposed for transfer to other agencies are the international education programs which are proposed for transfer to the International Communications Agency; and the minority institutions science improvement program which is proposed for transfer to the National Science Foundation; and the interest subsidy grant program which is proposed for transfer to the Department of Treasury.

A total of $38,601,000 is required for these activities.

In fiscal year 1983, three programs are proposed for elimination as part of the administration's effort to reduce Federal spending. These programs are cooperative education, fellowships for graduate and professional students, and legal training for the disadvantaged.

In addition to our request for fiscal year 1983, I would like to summarize our proposed fiscal year 1982 rescissions and supplemental.

First, we are requesting one supplemental of $5,184,000 for the institutional aid programs. This supplemental, combined with the funds currently available to the program will assist institutions which serve a large percentage of economically disadvantaged students. These programs also play a vital role in fulfilling the Federal commitment to assist historically black colleges and universities.

Rescissions totaling $37,372,000 are proposed for the remainder of the programs in this account for fiscal year 1982. The reductions are part of the administration's overall effort to reduce Federal spending.

This concludes, Mr. Chairman, my summary of the opening statement. My colleagues and I would be happy to discuss each of these programs in further detail with you. Perhaps, Senator, I can present my colleagues you haven't met: Dr. Mayberry, to my extreme right, whom I introduced to you before, Director of Title III, and further down is Dr. Fairley, Director, Office of Institutional Support, another one of my colleagues; James Lombard, the Deputy Secretary; and I believe you've met Dr. Jones.

TRIO

Senator RUDMAN. I want to start out just by—I don't have many questions for you. We have a number for the record, but I want to develop some testimony here this morning on the TRIO program. The administration is proposing to reduce funding for the special programs for the disadvantaged, the so-called TRIO program, from $150 to $82 million. The proposal would continue at reduced levels district service grants and eliminate all outreach activities.

Given the positive evaluations of the service components of TRIO which you mention in the budget justification, why do you recommend reducing funding for these particular programs?

Dr. MELADY. I concur, Mr. Chairman. We have high regard for the programs. I know personally from my previous experience as president of a university of the good work these programs have done. We've had to look at all programs in terms of the current budget situation and be selective as to which programs will be continued or reduced in funding. Special services, for example, has had an excellent record regarding retention of students and helping the students while they were in the university. Because of both restrictions in the budget and partially because we think they have completed their mission, we have recommended no funding for talent search and the educational opportunity center and the very small program, staff training.

Overall, I personally have high regard for all the programs.

Senator RUDMAN. Well, there are those of us who feel that the mission is not completely fulfilled and that a cut of nearly 50 percent is a little heavy for the program to undergo at this time. I take it that your position would be that if we decided to restore some of those funds for this program that the money would not be wasted.

Dr. MELADY. The money would have to come from another source. We are committed to the President's proposal.

Senator RUDMAN. That wasn't my question. You're not going to tell me here this morning your own private opinion—I understand you're supporting the administration's proposal. I'm not trying to get you in any hot water downtown, but I simply want to make an observation that you certainly would agree with me and with a number of other of my colleagues that there is still a need for this program. It may not be high on your list of priorities or the administration's, but were we to continue it, certainly a good use could be found for these funds. I guess that's my point.

Dr. MELADY. I feel very sensitive to the educational needs of our black Americans. I have a few colleagues who may want to add a little to that, Senator.

Senator RUDMAN. Fine.

Mr. LOMBARD. Mr. Chairman, I think you might consider what we have done up until now with these funds. The Government has provided seed money to these institutions—similar to what foundations do. These programs have been running very well. The total cost to the individual institution to pick up would be relatively very small. We feel they are going well now. Now is the time for others to take them over and let each institution make that decision on its own.

PROPOSED TRIO REDUCTIONS

Senator RUDMAN. Well, there are those who I have spoken to who feel that if, in fact, we adopt the cuts as proposed that, in fact, those components of the program will end. I guess that's a decision that we will have to make here. It does seem to be a rather striking reduction in that particular program that has had some success.

Dr. MELADY. Mr. Chairman, Dr. Mayberry, who recently joined us as Director of Title III is involved in some of these programs.

Senator RUDMAN. Well, good. I want to talk to him about a few other things, so this would be a good time.

Dr. MAYBERRY. Mr. Chairman, could I add something that I think might be pertinent to why the administration is suggesting cuts in TRIO?

Senator RUDMAN. Yes.

Dr. MAYBERRY. In the title III program, there's a component that addresses itself to student services. The TRIO program also has a special services component. We've found that an overlap of these programs in this area of special services existed so, we felt, a reduction was warranted, particularly, in student services. Other institutions that are not part of title III would continue in the special services area with some kind of phasedown.

I would also like to add that when we look back at the philosophy behind the TRIO program in 1965, you will find that these programs for some reason or another, had not prepared students to move on to college. It was found that the programs were supposed to provide special services to do some corrective things in getting students ready for postsecondary education. One of the things that was addressed was, to make sure the program did not become an entitlement program. The institutions or the agencies who were applying for funds were to begin to develop the capability to be able to provide those kind of special services for students as they progressed through the program.

DEVELOPING INSTITUTIONS

Senator RUDMAN. Thank you. I want to move to developing institutions.

The administration continues to imply its support of the title III developing institutions program is synonymous with the continued Federal commitment to historically black colleges. In fiscal 1981, if someone could answer this for me, what percentage of title III funds went to historically black colleges, and in fiscal 1982?

Dr. MELADY. If I could just begin for a moment, I'll ask Dr. Mayberry to give you the details. Title III is designed to assist developing institutions generally. As I read the literature, however, I see there's a tradition of being especially sensitive to the historically black institutions. President Carter's Executive order to assist the historically black institutions sensitized us and this was renewed by President Reagan on September 15 when he issued his Executive order to the Department. It was felt that title III was a particularly appropriate instrument to respond sensitively to the President's order.

Senator RUDMAN. But not exclusively.

Dr. MELADY. Not exclusively, no, but to be sensitive to it.

ELIGIBILITY CRITERIA FOR TITLE III

Senator RUDMAN. Could you describe the eligibility criteria, if you will, for title III grants as they currently have been developed, because I have a rather specific question to ask you about some of the critera?

Dr. MAYBERRY. In answer to your first question, last year, 35 percent of the title III moneys went to black institutions.

The major criteria looks at the percentage of Pell grants that institutions are receiving, the average of the Pell grant awards of campus-based assistance that the institution is receiving per student, and the educational and general expenditures per student.

The two major criteria would have to do with the Pell grant and the campus-based assistance.

EFFECTS OF NEW CRITERIA

Senator RUDMAN. I understand your answer. Let me point out to you some of the unusual results of the way this criteria has been established.

In the State of New Hampshire under this criteria you have just listed, the University of New Hampshire is eligible for title III grants, yet two of the more promising developing institutions, which by any measure are developing institutions—having been the chairman of the board of one for 14 years, I have personal knowledge—that both Daniel

Webster College in Nashua and Franklyn Pierce College in Ranch are not eligible.

As a matter of fact, 31 Senators, including me, recently received a letter from Secretary Bell recognizing the current eligibility criteria under title III can be a problem and he's indicated that the Department of Education wants to help us to work toward a solution.

I want to say to you that under the criteria that have been developed, a consortium of small developing New Hampshire colleges have essentially been told that they are no longer eligible. And I don't understand criteria that would do that because we are a poor State, a small State.

Obviously, to look at minority, hispanic, or even rural students in that mix would fail miserably because the minority population of the State of New Hampshire is probably less than 1 percent—in fact, it's less than three-quarters of 1 percent. And I would say that there's something wrong with criteria that essentially penalize small, struggling, developing institutions in a State like mine, and at least 20 other States evidently. I wonder if you could respond as to what type of changes you're looking at that might ameliorate this effect which I don't think is anything that you have really intended—at least I hope not.

Dr. MAYBERRY. In developing the criteria for eligibility, we were aware of the fact that there would be institutions similar to the State of New Hampshire that would not be eligible under the present criteria. In looking at that, we came up with several technical amendments that we thought would address the issues. A hearing was held on these amendments in November. Basically, the criteria in question discriminates against colleges, similar to those you mention in New Hampshire, because their tuition is very low and, therefore, creating a very low educational and general expenditure per student relative to other similar institutions.

So where an institution has low tuition, basically because the students themselves cannot afford to pay higher tuition or whatever, it creates a situation making it difficult for those institutions to meet all the authorized criteria, which includes the percentage of the money coming in from Pell grant.

Senator RUDMAN. You penalize those institutions?

Dr. MAYBERRY. Yes; the legislation does.

PELL GRANTS AND TITLE III

Senator RUDMAN. And that is really strange because here you have educational institutions that I'm familiar with, two in particular, that have tried very hard to keep tuition low by a number of very innovative things that I think if applied across the broad spectrum of the American education I think might be very salutory, we are talking about the cost of education in terms of the cost of education. Here we have institutions which have attempted to keep tuition low and in many cases have kept quality high who are penalized under this criteria, so you end up with an anomaly of the University of New Hampshire, which is hardly a developing institution but rather, which is a very strong, solid land grant university, being eligible, and two of the most promising being ineligible. I think that needs addressing.

Dr. MAYBERRY. Let me say again, Mr. Chairman, that we have been aware of that discriminatory effect that relates to tuition costs and we were ready to propose the technical amendment to remedy the problem. However, in negotiations with both sides of the Congress, both Senators and Congressmen, who were interested in the eligibility criteria, we were unsuccessful in getting the amendment passed. We will be happy to submit them again.

Senator RUDMAN. And you don't believe those could be done administratively?

Dr. MAYBERRY. Let me explain some of the implications that would happen if we were to move at this point without the appropriate assistance from all those concerned. First of all, we would not be able to act until next year because changing the criteria for eligibility now would mean stopping the receipt and review of the application process. And if we do that now any institution that was not eligible before must be given a minimum of 60 days to prepare a proposal. This means rescheduling the entire application process, and those institutions that already submitted proposals would not receive their grant awards on time.

COOPERATIVE EDUCATION

Senator RUDMAN. Well, I guess we all have a problem then because I'm not satisfied with the way this presently exists. There are 30 of my colleagues who are not satisfied with the way it presently exists. I think there might be more that are unhappy and I think we ought to continue to work together to try to find a reasonable solution to this because, frankly, I do not believe that the small institutions in States such as mine should be punished for a number of things in which they have committed no wrong; in fact, they have done some very salutary things and I intend to continue to pursue it.

Let me turn to cooperative education just for a moment. The budget justification for cooperative education states, "Studies of this program have shown that students who participate in cooperative education programs have a clearer and more specific sense of their career objectives than do noncooperative education students. Furthermore, cooperative education graduates have a more direct relationship between college major and full-time after graduation employment and career plans than do noncooperative education students."

Given this very positive evaluation, why is it you favor elimination of Federal support for the program?

Dr. MELADY. Mr. Chairman, I concur with that evaluation of cooperative education. I myself used it when I was a university president. Again, we are down to the realities of the budget. But, in addition, you will find that quite a number of institutions have used cooperative education as a means to recruit students. The program provides an opportunity for a student to come to the university and work in an area related to his or her major. In that way the program is an excellent recruiting device as well as a device to retain students.

With that knowledge and with budget realities, we felt there were higher priorities.

Senator RUDMAN. Well, in face of very deep cuts in student aid and assistance in other areas, it just seems that we ought not to reduce Federal support for a program that helps students find private sector employment, and I just wonder whether or not that's been prioritized in the right way.

SUBMITTED QUESTIONS

We have a number of additional questions for the record, both on higher and continuing education, the higher education loan fund, the college housing loan fund, and educational research overseas. We will submit those to you and we would like them returned when you return the hearing transcript. Did you want to add something else?

Dr. MELADY. No, sir. We appreciate your time. We will certainly return those.

[The following questions were not asked at the hearing but were submitted for response for the record:]

[CLERK'S NOTE.—Due to the length of the higher education hearing, the subcommittee was unable to hear testimony regarding college housing; educational research and training activities overseas; and higher education facilities loans and insurance. Opening statements and answers to the subcommittee's questions follow Q's and A's on higher and continuing education.]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

DEVELOPING INSTITUTIONS

Question: The Administration is requesting a supplemental of $5.2 million for the Developing Institutions program. The purpose of this supplemental is to offset the effect of the 4 percent reduction the Administration sought last December. Why has this program been singled out for a supplemental?

Answer: These programs play a vital role in fulfilling the Administration's commitment to aid many of the Nation's struggling postsecondary institutions, including most of the historically black colleges. The proposed supplemental of $5.2 million will restore the four percent reduction this program received under the Third Continuing Resolution and will support funding for 19 additional grants.

Question: Does the Department believe that this program makes a unique contribution to minority education that other programs such as TRIO, Pell Grants, or others do not? If so, why? Please be specific.

Answer: We believe that these programs do make a unique contribution to minority education along with programs such as TRIO and Pell Grants. However, TRIO and Pell Grants provide for assistance directly to students. Under the Institutional Aid programs participating institutions are the direct beneficiaries.

The Strengthening Developing Institutions program provides grants to assist postsecondary institutions which serve large numbers of disadvantaged students. The purposes of this program are to improve institutional management and academic development and thereby increase educational opportunities for low-income and minority students. Our statistics show that minority individuals continue to enroll in, and graduate from minority institutions. Following are statistics that may be useful:

o Minority institutions enroll approximately 40 percent of all minority students who attend colleges and universities.

o Black colleges award approximately 60 percent of all bachelors degrees earned by black students. Similar patterns are found at institutions serving primarily Hispanics and Native Americans.

o Black colleges have produced 50 percent of black business executives, 75 percent of the black military officers, 80 percent of black Federal judges, and 85 percent of black physicians.

Question: The budget justification states that developing institutions "are characterized by low average educational and general expenditures per student and by a high percentage of students receiving Title IV need-based student aid." How does the Administration rationalize its strong support of the Developing Institutions program, and its current effort to reduce discretionary student aid by 38 percent?

Answer: The reductions proposed for the Federal student assitance programs are designed in conjunction with the limitations on eligibility that existed prior to passage of the Middle Income Student Assistance Act. That Act significantly expanded eligibility for Federal student assistance to middle and upper income levels. This Administration has developed a policy based on the principle that parents, students, institutions, and States must assume a larger burden of the costs of postsecondary education.

However, this policy is not in conflict with assisting those students who are in attendance at institutions characterized by low average educational and general expenditures per student since our student aid programs are targeted on those least able to contribute to educational costs.

Question: The Administration continues to imply that support of the Title III Developing Institutions program is synonomous with "the continued Federal commitment to historically black colleges." In fiscal 1981, what percentage of Title III funds went to historically black colleges? In fiscal year 1982?

Answer: In fiscal year 1981 approximately 35 percent of Title III funds went to historically black colleges. Fiscal year 1982 funds have not yet been awarded. However, under Part B, Aid to Institutions with Special Needs program, funding for black colleges is held harmless at not less than 50 percent of the amount they received in fiscal year 1979 or $27.4 million. In addition, historically black colleges are eligible to compete for Part A and Part C funds.

ELIGIBILITY CRITERIA FOR TITLE III GRANTS

Question: Define briefly eligibility criteria for Title III grants.

Answer: To be eligible for grants under the Title III program, institutions must meet the following criteria: (1) be legally authorized to provide a bachelor's degree or be a junior or community college, and (2) be accredited for at least four years by a nationally recognized accrediting association or agency, or be making reasonable progress toward becoming accredited; or be a branch campus of an institution of higher education which meets these requirements. The requirement that an institution be accredited for at least four years may be waived for Parts A and B if the institution has substantially increased higher education opportunities for Spanish-speaking people, individuals living in rural areas, low-income individuals or American Indians, or has traditionally served substantial numbers of Black students.

To be eligible to participate in the Strengthening Institutions program (Part A), institutions must enroll a substantial percentage of students who are receiving Pell Grants and the average grant to these students must be high. In addition, the educational and general expenditures per full-time equivalent student must be low in comparison with institutions offering similar instruction.

To be eligible to participate in the Aid to Institutions with Special Needs program (Part B), an institution must enroll at least 100 full-time equivalent students and meet the following criteria: Enroll a substantial perentage of students receiving need-based assistance under Title IV (SEOG, NDSL, CWS, and Pell Grants), and the average amount of such assistance must be high. The educational and general expenditures per full-time equivalent student must be relatively low; a waiver of this factor may be requested. In addition, the Secretary may consider other factors provided for in the statute.

To be eligible to participate in the Challenge Grant program (Part C), an institution must be eligible to participate in the Strengthening Institutions program or the Institutions with Special Needs program; or be a graduate school or medical school of an otherwise eligible institution.

COOPERATIVE EDUCATION

Question: The budget justification for Cooperative Education states: "studies of this program have shown that students who participate in Cooperative Education programs have a clearer and more specific sense of their career objectives than do non-cooperative education students. Furthermore, cooperative education graduates have a more direct relationship between college major and fulltime, after graduation employment and career plans than do non-cooperative education students." Given this very positive evaluation, why do you favor elimination of Federal support for this program?

Answer: Federal funding of Cooperative Education was designed to stimulate the development of programs where postsecondary students alternated periods of employment with periods of academic study. Students gained a valuable perspective and earned money for expenses. The effort has been successful in encouraging public and private employers, institutions and students to participate, and, over 1,050 institutions have established programs. Because of its high level of acceptance, institutions no longer need a Federal incentive to continue the program.

Question: How are institutions supposed to make up for reduced Federal support?

Answer: As cooperative education becomes increasingly more popular with students, institutions should be financially motivated to provide cooperative education programs on their own in an effort to attract more students. Because of its popularity with both students and institutions, we believe institutions will be quite successful in generating private sector support.

Question: In the face of deep cuts in student aid, why do you also favor reduced Federal support of a program that helps students find private sector jobs to help pay for school?

Answer: The Cooperative Education program was to encourage and stimulate postsecondary institutions to develop Cooperative Education programs as a link between education and work. With more than one-third of the Nation's colleges and universities involved with programs in this area, we believe that that concept has been adequately demonstrated and there is no longer a pressing need for Federal involvement.

Question: Your justification states that private businesses should be willing to support Cooperative Education. Why, in addition to paying student salaries, should they support institutional operating costs?

Answer: The private businesses are not being asked to pay for any of the institutional operating costs. Since the program has become increasingly popular over the years, we believe that institutions have been motivated to assume their own operational costs. The legislation authorizes Federal funds to participating institutions annually on a declining schedule. During the first year of a grant 100 percent of Federal funding is provided. By the fifth year, only 30 percent of Federal funds are available. During this time institutions have met almost all of the costs for continuation of their program with adequate success. With this in mind, and with over 1,000 participating institutions, we believe the program is quite successful and no longer needs Federal involvement.

MINORITY INSTITUTIONS SCIENCE IMPROVEMENT PROGRAM

Question: To what extent is the Minority Institutions Science Improvement program coordinated with other related Federal progams, especially the Developing Institutions program?

Answer: The Minority Institution Improvement program administered by the Office for the Fund for the Improvement of Postsecondary Education works very closely with the National Science Foundation (NSF). Presently there is no formal cooperative arrangements with other related Federal programs such as the Developing Institutions program. However, an informal exchange of information does occur throughout the year to attempt to avoid duplication of efforts in science improvement activities.

Question: Have there been evaluations of this program to determine its effectiveness? What have these shown?

Answer: An evaluation of the MISIP program was done in 1979 by Arthur D. Little to determine whether the program has met its goals and objectives. This study, which was commissioned by the National Science Foundation, concluded that MISIP made a significant difference in the quality of science education at institutions which received grants. In addition, Arthur D. Little & Company indicated that it was too early in the life of the program to determine the total impact of the MISIP program.

LEGAL TRAINING FOR THE DISADVANTAGED

Question: The budget requests no new funds for the Legal Training for the Disadvantaged Program, the so-called "CLEO" Program. The justification states that the Department supports the intent of this program to assist individuals from disadvantaged backgrounds to enter the legal profession, but that "There is strong evidence to suggest that this program will be able to continue its current activities without Federal support." What is this evidence?

Answer: Since its inception in 1968, the program has functioned as a cooperative effort between the Federal government, the Council on Legal Educational Opportunity, and approximately 150 law schools. CLEO is unique in that is a privately initiated effort which has never looked to the Federal government to cover all of the costs associated with the program. Law schools currently absorb 60 percent of the costs of running intensive pre-law training institutes during the summer. In addition, the law schools either remit all tuition and fees for CLEO students or provide financial aid packages composed of scholarships, loans, and work-study support to supplement the $1,000 annual stipends provided with Federal funds.

In the thirteen years of the program, participating law schools have assisted over 3,000 students from disadvantaged backgrounds in receiving law school training. During this period, law schools have become more effective in providing access and services to these high risk law students. The 74 percent success rate for CLEO students taking the bar examination attests to the fact that law schools are well equipped to meet the special needs of these students in obtaining a legal education.

Question: How many people were served by CLEO in fiscal year 1981 and fiscal year 1982? How many of these were second and third year?

Answer: In fiscal year 1981, 540 students participated in the program. Of these, 210 students were in their first year of law school, and 340 were in their second and third years. In 1982, the same number of students will be served in each year of school.

Question: How does the Department intend to guarantee that this program will continue without Federal support?

Answer: We believe it is inappropriate for the Federal Government to "guarantee" that this program will continue. It is our strong belief, however, that individuals and private organizations will provide enough support for this successful program to continue.

The Council on Legal Educational Opportunity is planning to conduct a fund raising initiative directed at private individuals, corporations, law firms, and foundations. In addition, efforts are underway to marshall financial support from CLEO alumni.

Question: What is the rationale for the complete elimination of Federal support for outreach activities?

Answer: These activites were authorized to compensate for inadequate guidance and counseling services provided by local school districts serving students from low-income families. Colleges and universities have since adopted outreach programs that did not exist earlier and have developed many services for their public information efforts regarding counseling and financial assistance programs now available to students. In addition, there are more public community colleges now which offer not only educational programs but, also, educational counseling services. We believe there is no longer a Federal role needed for these activities.

AID TO LAND GRANT COLLEGES

Question: Why do your propose to eliminate assistance to Land Grant Colleges.

Answer: The Second Morrill Act of 1890 and the Nelson Amendment of 1907 were initially a very needed program. However, the grants now form a very small part of these institution's budgets and their the current impact is difficult to indentify. Also, these funds go to some of the strongest and most prestigious institutions, such as, Cornell University and the Massachusetts Institute of Technology.

Question: Has legislation to eliminate the assistance been submitted to the appropriate authorizing committees? When?

Answer: On April 10, 1981 Secretary Bell submitted legislation to the appropriate committees to request a repeal of the permanent authorization to an annual one.

Question: In general, how are Federal Land-Grant funds used?

Answer: Colleges and universities are awarded funds for instruction in agriculture and mechanical sciences. In addition, program funds many be used to support instruction in English, mathematics, and physical, natural, and economic sciences.

GRADUATE AND PROFESSIONAL OPPORTUNITIES PROGRAM

Question: Why does the Administration propose elimination of the Graduate and Professional Educational Opportunities Fellowship program?

Answer: Each segment of the Federal budget must bear a share of the total budget reductions that are required for the nation's economic recovery. This Administration considers support for graduate education a low priority in comparison with educational programs at other levels. Since the greatest benefit of a graduate education accrues to the individual student, it is appropriate for the student to bear the greatest share of the cost.

Furthermore, alternative sources of support for graduate education do exist. Several private foundations and organizations offer graduate fellowship support. In addition, business and industry have a strong interest in helping to support qualified persons, including women and minorities, in obtaining advanced education and training.

Question: What is the Department doing to encourage minorities to participate in federally funded "Fellowships for Graduate and Professional Studies"?

Answer: In administering the Graduate and Professional Studies Fellowship Program, the Department places major emphasis thorough its program regulations on the recruitment and retention of students from underrepresented groups in graduate education. Of a possible 100 points under the funding criteria, 52 are awarded based on minority recruitment and retention. Our records indicate that 79 percent of the GPOP fellows are minority persons and 21 percent are white females. Of the 79 percent who are minorities, 52 percent are Black, 19 percent Hispanic, 3.7 percent Native American, and 4.5 percent Asian American.

Question: In your opinion, what role should the Federal government have in supporting graduate and professional education?

Answer: We believe the Federal government should play an important role in supporting graduate education by serving as a focal point in the analysis of needs and trends in graduate education. In addition, the Federal government should continue to assure that financial resources are available to students in graduate school. We will carry this out through the Auxiliary Loan Assistance program, which will provide graduate students with loans of up to $8,000 annually to support their education.

Question: What is the average Federal fellowship awarded under this program? What portion of the total cost of graduate training do these fellowships represent?

Answer: The average award under this program is $8,400. Of this amount, appproximately $3,900 is awarded as an institutional allowance for tuition and fees and $4,500 is awarded as a stipend.

Data are not available to determine what portion of the total cost of graduate training the institutional allowance of $3,900 represents. The following data suggests that this allowance is sufficient to cover tuition costs, but not adequate to cover the total cost of graduate education, of which tuition is only a portion.

Average Tuition in the New England States - 1980-81

Institution	Tuition Range	Average Tuition
Public:		
For Residents.......	$1,152-$1,798	$1,345
For Non-residents...	$1,842-$4,607	$3,214
Private..............	$3,035-$4,607	$3,564

Source: Unpublished data, Council of Graduate Schools.

INTERNATIONAL EDUCATION

Question: There is considerable concern that there is a serious shortage of trained specialists in Foreign Language and Area Studies. The Administration proposes reducing Federal support for International Education from $24 million in fiscal year 1982 to $10.3 million in fiscal year 1983. The justification for this is that "this reduction reflects the Administration's effort to curtail Federal spending and to encourage individuals, institutions, businesses, and other organizations to contribute more to the financing of foreign language and area studies programs." Does the Department concur that there is a need for more Foreign Language specialists? How large does it estimate the need to be?

Answer: The Department concurs that there is a need for additional foreign language specialists who have a strong interdisciplinary and area studies background. the greatest need is for specialists in such languages as Arabic, Indonesian, Chinese, and most of the African languages.

It is difficult to quantify the need for such specialists because it is based on the strategic interests of the United States government and on projected levels of economic activity. However, the Department is currently funding a study by the RAND corporation which should provide new data on the need for additional specialists and permit us to establish priorities for the coming years. The results of this study will be available later this year.

Question: What evidence does the Department have that non-Federal support can replace Federal funds for foreign language training and study? Cite specific evidence.

Answer: Over the years, the Federal share of the cost of the National Resource Centers has been steadily declining. Today, institutional and private funds make up 92 percent of the budgets of the Centers. Consequently, the Department believes that centers which do not receive Federal support can find additional funding from individuals, institutions, businesses, and other organizations. Generally, whenever a center has not been selected in the competition for grants, it has been able to continue operations by finding private sector support, or by redirecting resources from some other activity.

GENERAL JAMES MEMORIAL AT TUSKEGEE

Question: The Department is requesting $9 million for the construction of a General Daniel James Memorial at Tuskegee Institute. This money would build an aerospace center at the Institute. This is the only new initiative in the Education Department budget. Is there an authorization for this project? At what level?

Answer: Authority for the General Daniel James Memorial is under Title XIII, part H of the Education Amendments of 1980 (P.L. 96-374). The original authorization was for $6 million for funds which would remain available until expended. The Omnibus Budget Reconcilation Act of 1981, section 528(b) amended the legislation for the General Daniel James Memorial and authorizes "such funds as necessary" to construct the center.

Question: Has authorizing legislation been submitted to the appropriate Congressional committees?

Answer: The authorizing legislation was submitted to the appropriate Congressional committees and was amended under section 528(b) of the Omnibus Budget Reconciliation Act of 1981.

Question: Why has Tuskegee been selected for this unique award?

Answer: The authorizing legislation specifies that the memorial be located at Tuskegee Institute which was General James' alma mater. Tuskegee, a pioneer for black institutions regarding the training of air force officers during World War [illegible], proposes to make an important contribution in filling a current gap in the aerospace engineering field.

Question: Is there evidence that minorities are represented less in aerospace enigneering than they are in other hard sciences.

Answer: Our statistics demonstrate that of all students enrolled in programs at aerospace engineering in the country, only three percent are black, and, that, there is a lower percentage of blacks in aerospace engineering than in engineering as a whole. This new center would initially increase black enrollment in the field by 15-20%.

PURPOSE OF DANIEL JAMES MEMORIAL

Question: The Committee realizes the importance for Tuskegee Institute at this proposed center. At a time when the Administration is recommendling reduced spending for all higher education, why is this project a national priority now?

Answer: A key element of the 1983 budget request is the continued Federal commitment to historically black colleges. The center would offer the only degree-awarding program specifically in aerospace science engineering at a predominately black institution and graduates of such a program would be valuable resources for the nation's military needs, aerospace industry and govrenment research. Another important reason for recommending funds for this center is that it will also serve as a health education facility, training health professionals and serving approximately 7,500 persons at Tuskegee and an estimated 65,000 persons in surrounding counties, many of whom are poor, black, and elderly.

TRIO

Question: The Adminstration is proposing the reduce funding for the Special Programs for the Disadvantaged, the so-called "TRIO" program, from $150 million to $82 million. The proposal would continue at reduced levels direct service grants, and eliminate all ourtreach activities. Given the positive evaluations of the service components of TRIO which you mention on the budget justification, why do you recommend reduced funding for them?

Answer: The Special Programs for the Disadvantaged was established in 1965 to assist local school districts with sevices and outreach activities for students from low-income families. Most of the grantees under these programs have received Federal funds long enough to have established strong and viable programs and can continue to provide counseling services without Federal aid. Also, there duplication of effort for some of the same services under some of the TRIO programs which could and should be eliminated. For example, both Talent Search and the Education Opportunity Centers provide counseling and information to eligible students about opportunities to further their education and how to seek financial aid for postsecondary education. These same services are available under other Federal programs such as Upward Bound and Special Services for the Disadvantaged which we are recommending continuation. We also feel that States and local school districts can and should assume more responsibility for the counseling services now provided by Talent Search and Educational Opportunity Centers.

Question: How are the services projects supposed to make up for reduced Federal support?

Answer: We believe that the host institutions will be willing and able to make up the funds being withdrawn from the Federal Government. The Department believes that institutions themselves are benefiting from Special Services grants since these grants permit institutions to retain tuition-paying students who might otherwise dropout. Over the many years of its existance the Special Services program has attempted to stimulate institutional commitments to the projects. One way of demonstrating this commitment is for an institution to conduct development activities or by including Special Programs staff in training opportunities available to other professional staff at the institution.

VETERAN'S COST OF INSTRUCTION PROGRAM

Question: With the rapid decline in veterans attending college over the past several years, how has the need for this form of Federal assistance changed?

Answer: With the decline of veteran enrollment in colleges and universities, the services provided by this program are not needed as they once were. Vietnam era veterans who wished to attend college have, for the most part, already completed their course of study. Those veterans who remain eligible for benefits, are the hard-core unemployed, educationally disadvantaged, hard-to-reach persons who have difficulty with economic self-maintenance without special educational or vocational training. This type of service is beyond the scope of this program. These veterans receive more intensive services such as those provided by the Veteran's Administration.

Question: How has this program been effective in counseling and tutoring veterans?

Answer: During the years when Vietnam era veterans were attending college and universities in large numbers, this program provided a low cost mechanism assuring that students were provided with the special support services they needed to successfully complete a postsecondary education. To accomplish this, institutions were encouraged to employ qualified Vietnam era veterans as outreach workers, counselors and tutors. This kind of peer-group contact and assistance has proven very effective in meeting the special needs of these individuals. In addition, the participating institutions have been able to extend existing resources to serve the particular and individual needs of veterans by the coordination of these services through the Office of Veteran's Affairs.

EFFECTS OF VCIP

Question: What effect has this program had on the academic achievement of veterans and their ability to complete their education?

Answer: We do not have any data on the impact of this program on academic achievement. However, we do know, as a result of studies sponsored by the National Association of Veterans Program Administrators and the Veterans Administration, veterans completed their educational or vocational objectives more than non-veterans. There are no data, however, that link this performance with the VCIP program.

Question: Can current college counseling services be used to replace the special services for veterans under this program?

Answer: Yes, we believe that the institutions that have participated in this program will be able to replace these services with there own counseling program.

Question: How many veterans will be served by this program in fiscal year 1982?

Answer: In fiscal year 1982 we are requesting a rescission of $4.8 million which will provide zero funding, thus no veterans will be served by this program in fiscal year 1982. If the $4.8 million was not rescinded, the funds would provide support to 775 institutions which have an estimated 212,000 veterans enrolled. However, it is not known how many of these veterans would be served.

Statement by the Assistant Secretary for Postsecondary Education

on

College Housing Loans

Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to appear before you today to present the fiscal year 1983 budget request for the College Housing Loan program, and to discuss the proposed language change for fiscal year 1982. In fiscal year 1983, we are requesting only $40,000 for the permanent, indefinite appropriation. This is $160,000 less than the $200,000 currently available for fiscal year 1982. Funding for this program for fiscal year 1983 is proposed under the Department of the Treasury.

Beginning in fiscal year 1982, and in future years, most of the interest expenses on participation sales certificates will be paid using loan repayments and other income returning to the unobligated balance of the account. However, a small appropriation will continue to be required under the permanent indefinite authority contained in the Independent Offices Appropriation Act of 1967. Under this authority--which provides funds for interest insufficiencies on participation certificates sold in 1967--$40,000 will be required in 1983.

The President is not requesting authority for new loan commitments in 1983. This reflects the Administration's overall effort to reduce Federal borrowing and thereby control inflation and interest rates. Furthermore, the rapidly expanding postsecondary enrollments that once created a national need for this program have leveled off and are expected to decline in future years.

Fiscal Year 1982 Language

For fiscal year 1982 we are proposing a language change which, if adopted, would prohibit the Department from making new loan commitments. This language is not intended to prohibit supplemental loans authorized under the Third Continuing Resolution for those applicants who only received partial funding in 1981.

This concludes my remarks. My colleagues and I will be happy to answer any questions you may have.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COLLEGE HOUSING LOANS

Question: The Administration has requested supplemental language prohibiting any new loans under the College Housing Loan Program. Under the Continuing Resolution, $75 million in loans are authorized. What would be the effect of failure to provide this supplemental language?

Answer: If the supplemental language is not approved, the Department will be required to make new loan commitments in fiscal year 1982. Currently, we estimate that between $8 million and $15 million will be available for new loans. The administrative costs of conducting a nationwide competition for such a small amount of funds are high. The number of applications will far exceed the number of loans available. Furthermore, because under current law no State can receive more than 12.5 percent of available funds, an institution which is selected to receive a loan may only receive a portion of its request.

Any new loans made in 1982 will contribute to the size of the Federal deficit. The Administration believes strongly that, to the extent possible, spending reductions should be made in those programs which are least essential to the nation's interests. We believe that with limited Federal resources, funds can be better utilized in other areas of education.

TRANSFER FROM HUD

Question: Are you presently the sole administering agency for the program or does the Department of Housing and Urban Development continue to provide some administrative support?

Answer: The Department of Education is currently the sole agency responsible for administering the College Housing Loan Program.

Question: What problems does the College Housing Loan Program face as a result of its transfer from the Department of Housing and Urban Development to the Department of Education?

Answer: No serious problems have been experienced as a result of the program's transfer. One of the highest priorities of the Office of Postsecondary Education has been to improve the organization and management of this program. Considerable progress has been made. Program records have been consolidated and reviewed, and the program has been reorganized along functional lines to improve loan management operations.

Question: What steps have been taken to respond to the General Accounting Office's criticism of the program's administration by the Department of Housing and Urban Development, particularly with regard to achieving prompt loan agreements with accepted applicants and with regard to the lack of careful review of data presented on loan applications?

Answer: When housed in HUD, the program was administered by numerous field offices with limited coordination by HUD's headquarters. The program is now administered by the Department of Education's headquarters office. This change has resulted in tighter management control over program operations and priorities. It has also enabled faster close-out of projects in the pipeline, and more timely issuance of loan agreements.

With regard to review of application data, every effort is now being made to evaluate and verify information presented in loan applications prior to issuing loan agreements.

DELINQUENT LOANS

Question: What is the current status on delinquent housing loans?

Answer: Of the 3,318 loans currently outstanding, 169 are delinquent. Of the total outstanding loan volume of $2.8 billion, $22.8 million is in arrears.

Question: How many loans have been foreclosed? How long has the average delinquent borrower been in arrears? What is the longest period of delinquency on your books?

Answer: To date, four loans have been foreclosed. The average delinquent borrower has been in arrears 4.6 years. The longest period of delinquency is 10 years.

Statement by the Assistant Secretary
for Postsecondary Education

on

Educational, Research, and Training Activities Overseas

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to present the fiscal year 1982 revised request, and fiscal year 1983 request for the Educational, Research, and Training Activities Overseas account. The programs supported under this account are funded solely from foreign currencies held by the Treasury Department which are determined to be in excess of other requirements. No U.S. dollars are expended.

The President's 1983 budget requests $516,000 for activities presently in the account for Educational Research and Training Activities Overseas. The budget proposes that these activities be funded under the International Communication Agency and the Department of Health and Human Services. No funds are requested for Educational Research and Training Activities Overseas under the Foundation for Education Assistance.

For Research and Demonstration, no new funds are requested in 1983 since adequate carry-over funds will be available. The budget for this program is included under the Department of Health and Human Services.

For Grants to American Institutions, the President has requested $516,000 for 1983 under the International Communication Agency. The President has also proposed a 1982 rescission of $80,000 from the Continuing Resolution level of $960,000 for the Grants to American Institutions program.

International Research and Demonstration

We are not requesting funds for International Research and Demonstration in 1983. Carry-over balances from prior year appropriations will be adequate to support projects in the four countries where excess foreign currencies are available--Burma, Guinea, India, and Pakistan.

In 1983, carry-over funds will support rehabilitation-related research which supplements activities currently being conducted by the National Institute for Handicapped Research. The objective of this research is to strengthen the quality, method of delivery, and administration of services provided to handicapped persons through the development and application of new information. In some cases, this overseas research program enables us to explore areas that cannot be addressed directly in the United States.

Grants to American Institutions

We are requesting $516,000 for the Grants to American Institutions program in 1983. This program supports a variety of educational training activities, research projects, and curriculum development projects in critical areas of the world such as the Middle East and the Indian subcontinent. Participation in the overseas activities enables American scholars to update and strengthen their foreign language competencies and to remain current in their particular area of expertise.

In fiscal year 1983, only the group projects abroad activities will be supported. No funds are requested for language and area research or for comparative education studies.

These activities complement the International Education programs now supported under the Higher and Continuing Education account which are proposed for transfer to the International Communication Agency in fiscal year 1983.

Fiscal Year 1982 Rescissions

For the Grants to American Institutions program, we are requesting a rescission of $80,000 in 1982, leaving $880,000 available. The proposed rescission would eliminate funding for two group projects abroad.

This concludes my statement. My colleagues and I would be pleased to answer any questions you may have.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

EDUCATIONAL RESEARCH AND TRAINING ACTIVITIES OVERSEAS

Grants to American Institutions

Question: The budget request for Educational Research and Training Activities Overseas is $516,000, down from $960,000 in fiscal year 1982. How many fewer grants will the proposed fiscal year 1983 appropriation allow?

Answer: The 1982 budget of $960,000 would support a total of 16 projects. The 1983 proposed budget would provide funds for seven projects, nine fewer than the 1982 level.

Question: Does this reduced budget request reflect the Department's estimate that fewer foreign language scholars in such areas as the near-East are required by the United States? Why?

Answer: The proposed rescission reflects the Administration's belief that individuals, institutions, and private organizations can and should provide more support for foreign language and area studies programs. The Department, through a contract with the Rand Corporation, is currently gathering data which will help us determine where shortages of specialists exist. The proposed budget does not reflect any assumptions about the supply of world area specialists.

Question: Under the Continuing Resolution, Congress has provided $960,000 for Educational Research and Training Activities Overseas. The Administration is requesting a rescission of $80,000 from this account. What is the purpose of requesting a rescission of $80,000?

Answer: The proposed rescission constitutes part of the Administation's program to curtail Federal spending, and to encourage individuals and institutions to bear more responsibility for international education activities.

Question: How many applications does the Department currently have for grants under this program?

Answer: For fiscal year 1982, 76 applications for grants were received in the Grants to American Institutions program.

Statement by the Assistant Secretary for Postsecondary Education

on

Higher Education Facilities Loans and Insurance

Mr. Chairman and Members of the Committee:

I am pleased to have this opportunity to appear before you to present our fiscal year 1983 budget request and our fiscal year 1982 supplemental request for the Higher Education Facilities Loans and Insurance account. For fiscal year 1983, funding for this activity is proposed under the Department of the Treasury. The President is requesting an annual appropriation of $20,143,000 to cover mandatory expenses associated with loans made in prior years. This amount, when combined with an estimated permanent, indefinite appropriation of $134,000, will provide an appropriation totaling $20,277,000 in 1983.

Prior to fiscal year 1982, the combined sum of loan repayments and other funds available in the unobligated balance of the account was sufficient to cover the program's annual operating expenses. In 1982, however, the unobligated balance of the fund will be depleted. Because annual operating expenses for this account exceed repayments and other income, appropriations are required in fiscal year 1982 and subsequent years to fund operating deficits.

Title VII of the Higher Education Act requires the Secretary to pay interest to the Treasury on the total amount of appropriations paid out for loans to institutions in prior years. In 1983, the total interest payment to Treasury will be roughly $37 million. An annual appropriation of $20,143,000 is required to pay interest to Treasury which cannot be financed from loan repayments and other income.

The permanent indefinite appropriation of $134,000 will cover interest insufficiencies on participation certificates sold in 1967. Other operating costs, including loan servicing costs and principal and interest payments on participation sales certificates issued in 1968, will be paid using loan repayments and other income returning to the account.

No funds are requested for new construction in fiscal year 1983.

Fiscal Year 1982 Supplemental

In fiscal year 1982, a supplemental appropriation of $9,746,000 is required. This, when combined with the annual and the permanent appropriations currently available, results in a total appropriation for 1982 of $48,879,000.

The supplemental appropriation is needed to cover the full amount of annual interest owed to the Treasury on appropriations paid out for loans in prior years. While most of this interest will be financed from loan repayments and other income, the full amount cannot be paid without a supplemental of $9,746,000.

This concludes my statement. My colleagues and I will be pleased to answer any questions you may have.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

HIGHER EDUCATION FACILITIES LOANS AND INSURANCE

Question: The Administration is requesting a fiscal year 1983 appropriation of $20.2 million for the Higher Education Facilities Loan and Insurance Fund, down from a total of $48.8 million in 1982. Do the long-term projections for this account show it increasing or decreasing over the next three years?

Answer: We project that the appropriations needed for this program will decrease after fiscal year 1983. Currently, we estimate that in 1984 roughly $15 million will be required, and that slightly less will be needed in 1985 and 1986.

Question: Last September, the Department submitted a fiscal year 1982 request of $48.3 million for the Higher Education Facilities Loan and Insurance Fund. Under the Continuing Resolution, Congress has provided up to this time the House level of $1.3 million. Now, the Department has determined that it can use $37.7 million from a permanent, indefinite appropriation, and requests a supplemental of only $9.7 million for fiscal year 1982. Why was the original budget request of $48 million made?

Answer: Last September, the Department requested a 1982 appropriation of $48.3 million under the annual appropriation authority contained in Title VII of the Higher Education Act. The funds would be needed in 1982 for the program's mandatory operating expenses, including a major payment of principal to the Government National Mortgage Association to redeem participation certificates scheduled to mature in January 1982.

Question: When and why was it determined that up to $38 million in permanent, indefinite authority could be used?

Answer: When it became clear that the Congress would not act on our 1982 budget request before the participation certificates reached maturity in mid-January, the Department determined that, by law, we were required to pay the principal owed on these certificates by using the permanent indefinite authority. This authority, contained in the Independent Offices Appropriation Act of 1967, authorizes "such sums as may be necessary" to cover costs associated with participation certificates sold in 1967 to raise capital for the loan fund. To redeem these certificates on time, a permanent, indefinite appropriation of $37.8 million was needed.

Question: What would be the negative repercussions of failure to provide the $9.7 million supplemental request?

Answer: Without the $9.7 million supplemental, we will be unable to pay the full amount of interest owed to the Treasury. Title VII of the Higher Education Act permits interest payments to be deferred. However, the legislation states that "interest payments so deferred shall themselves bear interest". Therefore, if the supplemental is not provided, an even larger approriation will be required in 1983 to cover the accrued interest.

SUBCOMMITTEE RECESS

Senator RUDMAN. Thank you very much. The committee will now stand in recess until 2 p.m. today.

[Whereupon, at 12:05 p.m., Wednesday, March 17, the subcommittee was recessed, to reconvene at 2 p.m. this same day.]

(AFTERNOON SESSION, 2 P.M., WEDNESDAY, MARCH 17, 1982)

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

STATEMENT OF MONIKA EDWARDS HARRISON, ACTING ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

- WILBERT A. CHEATHAM, DIRECTOR, COMPENSATORY EDUCATION PROGRAMS
- VIDAL RIVERA, DEPUTY DIRECTOR, MIGRANT EDUCATION PROGRAMS
- GARY JONES, DEPUTY UNDERSECRETARY FOR PLANNING, BUDGET, AND EVALUATION

SUBCOMMITTEE PROCEDURE

Senator ANDREWS [presiding]. The subcommittee will come to order.

This afternoon we will continue our Department of Education hearings on fiscal 1982 supplementals and rescissions and the fiscal 1983 budget proposal.

We begin with testimony from Ms. Monika Edwards Harrison, Acting Assistant Secretary for Elementary and Secondary Education to discuss the budget programs. Welcome.

Please introduce your colleagues and then proceed with a quick summary of your statement.

INTRODUCTION OF ASSOCIATES

Ms. HARRISON. Thank you. I have to my immediate right Mr. Wilbert Cheatham, the Director of Compensatory Education Programs; to my far right, Mr. Vidal Rivera, the Deputy Director for Migrant Education Programs; and to my left, Dr. Gary Jones, the Deputy Undersecretary for Planning, Budget, and Evaluation.

BUDGET REQUEST

I will be happy to summarize our statement. I am here to testify on the request for the compensatory education for the disadvantaged account. We are presenting our request for both the 1982 rescissions and the 1983 budget. Both of these requests reflect the administration policy of reducing Government expenditures at the Federal level and are part of the general program for economic recovery.

I would like to point out, however, that chapter 1 remains one of our highest priorities accounting for approximately 22 percent of the Department's budget.

For 1982 we are requesting a rescission totaling $411,933,000 which includes rescissions of $316,444,000 for grants to local school districts and $89,392,000 for the State agency programs.

We expect to serve approximately 4.4 million children under grants to LEA's.

In the State agency program we are earmarking $202.8 million for the migrant program; $116.2 million for the handicapped program; and $26.6 million for the neglected and delinquent program.

The rescission request also includes a rescission of $364,000 for the high school equivalency and college assistance programs.

In 1983 we are requesting a total of $1.9 million—this is $423 million less than the 1982 revised estimate. This request includes no funds for the handicapped program which is proposed for consolidation under the handicapped block grant.

Despite these cuts we do not expect a drastic reduction in the number of disadvantaged students served. However, we are projecting a lower per project cost. We also expect that State and local governments will seek more cost-effective ways of serving these students in order to offset the decreased Federal contribution.

I would be happy to answer questions since this is being submitted for the record.

PREPARED STATEMENT

Senator ANDREWS. Your complete statement will appear in full in the record.

[The statement follows:]

STATEMENT OF MONIKA EDWARDS HARRISON

I am happy to appear before your Committee to discuss the 1983 budget request and the 1982 proposed rescission request for Compensatory Education for the Disadvantaged. Both of these requests reflect the Administration's policy of reducing Government expenditures at the Federal level and are part of the general program for economic recovery. In relative terms, however, the programs authorized by Chapter 1 of the Education Consolidation and Improvement Act of 1981 remain one of the highest priorities within the proposed Foundation for Education Assistance, accounting for approximately 22 percent of the total 1983 request.

Proposed Rescission

We are requesting a rescission of $411,933,000 in Compensatory Education for the Disadvantaged, reducing the 1982 level from $2,892,980,000 to $2,481,047,000. This includes $316,444,000 of the funds appropriated for Grants to local school districts, and $89,392,000 earmarked for use by the State agencies for children of migrant workers, neglected or delinquent children, and the handicapped. A comparable reduction in the set-aside for State Administration is also proposed.

The $2,096,312,000 remaining for Grants to Local Educational Agencies would enable the program to serve approximately 4,404,400 children in the 1982-83 school year -- roughly 183,000 fewer than would be served by the amount currently available.

Of the $345,488,000 remaining for State Agency programs, $202,752,000 would be available for the Migrant program including $5,000,000 for coordination activities, $116,160,000 for the Handicapped program, and $26,576,000 for the Neglected and Delinquent program. At the revised level for the State programs, approximately 663,400 students would be served, 30,800 fewer than under the amount currently available.

The rescission also includes $364,000 for the High School Equivalency and College Assistance programs. At this revised level of $6,647,000, the High School Equivalency program would serve approximately 2,060 students at 17 institutions and the College Assistance Migrant program an estimated 638 students at 5 institutions. This is a projected reduction of 45 students in HEP and 11 students in CAMP.

1983 Budget Request

In 1983, a total of $1,942,000,000 is requested, $422,887,000 less than the 1982 revised estimate. This request includes no funds for the Chapter 1 State agency program for handicapped children which is proposed for consolidation into the 1983 Education for the Handicapped block grant. In addition, no funds are requested for the High School Equivalency and the College Assistance Migrant programs.

Despite the proposed budget cut, we do not expect a drastic reduction in the number of disadvantaged students served. Approximately 4,658,600 children, 164,200 less than in 1982, will receive compensatory education assistance under the 1983 budget request.

As a result of the proposed budget reduction for 1983, the Administration expects local and State education agencies to seek more cost-effective ways of providing effective compensatory education services in order to offset the decreased Federal contribution. The proposed Foundation for Education Assistance will continue to identify and disseminate such cost-effective projects, especially those that emphasize instruction in basic skills.

In addition, the Administration believes that as the general school-age population declines through the mid 1980s, local school districts will achieve savings in the area of general educational costs. Some of the savings achieved in this area can provide additional opportunities for the States and local school districts to serve the educationally disadvantaged.

Basic Grants to Local Educational Agencies

For Basic Grants to Local Educational Agencies, a total of $1,726,256,000 is requested, $370,056,000 less than the revised 1982 level. Nearly 14,000 school districts, 90 percent of the districts in the United States, will receive Chapter 1 funds in school year 1983-84. These local educational agencies will provide supplementary educational services for an estimated 4.3 million children, roughly 89,000 less than in school year 1982-83. This estimate assumes an average Federal contribution of $400 to the per pupil cost of providing compensatory education services.

Grants to State Agencies

A total of $188,898,000 is requested for grants to State Agencies, a decrease of $40,430,000 from 1982. The 1983 request includes $167,012,000 for the State Agency Migrant program, which is a decrease of $35,740,000 from the 1982 revised estimate. The 1983 request for the Neglected and Delinquent program stands at $21,886,000 -- $4,690,000 less than the 1982 level. Grants under these programs are awarded to over 100 State agencies that provide compensatory education services to children of migratory workers and children who are in institutions for neglected or delinquent children.

Other Programs

To provide for the various administrative requirements of Chapter 1, $22,100,000 is requested for State Administration, a decrease of $4,740,000 below the revised request. This request will be sufficient to meet statutory requirements.

For Evaluation and Studies we are requesting $4,746,000 to support regional technical assistance centers and to conduct national studies on program effectiveness. The technical assistance centers will assist officials in State educational agencies and local school districts to collect, report, and interpret evaluation data and use these data to improve teaching methods. Chapter 1 studies will focus on evaluating changes to the program brought about by passage of the Education Consolidation and Improvement Act, developing baseline data for the program, and analyzing data on program operations gathered in 1982. The type of information gathered and analyzed would include data on patterns of student participation, school finances, student achievement, and State and local administration.

Finally, we are requesting no funds in 1983 for the High School Equivalency and the College Assistance Migrant programs. The services provided to migrant and seasonal farmworkers under these programs are expensive relative to the number of students served. Other activities such as Special Programs for the Disadvantaged in the Higher and Continuing Education account and the Adult Education program provide the same type of services at a much lower cost to the Federal Government.

My colleagues and I will be happy to respond to any questions you have.

BIOGRAPHICAL SKETCH

NAME : Monika Edwards Harrison

POSITION : Acting Assistant Secretary for Elementary and Secondary Education, U.S. Department of Education

BIRTHPLACE AND DATE : Waiblingen, Germany - July 31, 1949

EDUCATION : B.A., The Florida State University, 1970
M.S., The Florida State University, 1977

EXPERIENCE :

Present : Acting Assistant Secretary for Elementary and Secondary Education, U.S. Department of Education

1976-1982 : U.S. Department of Education

- Director of Policy, Planning and Executive Operations, Office of Elementary and Secondary Education
- Special Assistant to the Deputy Assistant Secretary, Equal Educational Opportunity Programs
- Special Assistant to the Executive Deputy Commissioner for Resources and Operations, Office of Education
- Education Planning and Budget Analyst, Office of Education

1975-1976 : U.S. Department of Agriculture, Food and Nutrition Service

- Legislative Analyst

1971-1975 : State of Florida

- Advisor to the President, The Florida Senate
- Executive Assistant to the State Treasurer and Insurance Commissioner
- Staff Aide, Florida Board of Regents

PROFESSIONAL AFFILIATIONS : American Society for Public Administration

PROPOSED BUDGET REDUCTION

Senator ANDREWS. If the President's proposed budget reduction is approved and you add that to last year's rescission as I understand it, then only 23 percent of these children will be served by Federal money. What happens to the 77 percent of them who will no longer be covered by the Federal funding?

Ms. HARRISON. We have never served 100 percent of the children who were eligible for these services.

Senator ANDREWS. The point is, if I read my statistics correctly, title I has proven to be a very successful program. I understand that one of your own departmental studies reports title I students as having achieved gains 75 percent higher than similar students not enrolled in title I programs.

You are talking here about an investment in the future of the country—I mean you have something that works. On the farm, you know, we say if it works, don't fix it.

What percent of those eligible is it now reaching?

Ms. HARRISON. Our 1982 revised request for grants to LEA's would serve approximately 4.4 million children out of a universe of approximately 11 million.

IMPACT OF BUDGET REQUEST

Senator ANDREWS. Now with the renewed budget request, or the budget request for next year, how many students would it serve?

Ms. HARRISON. The 1983 request would serve approximately 4,316,000 children. We are projecting a decrease of only 88,000 children between 1982 and 1983 because we are expecting LEA's to use less expensive models.

Senator ANDREWS. Well, isn't it more likely that school districts will eliminate many children from the programs rather than find ways to reduce the per pupil expenditure for the children these programs serve?

Ms. HARRISON. No; we do not believe that this will be the case. We think that this may occur in some instances, but because we have placed and will continue to place a great deal of emphasis on dissemination of successful practices and the sharing of information about what other districts are doing in the area of title I, and because of the general feeling that school districts will have to reduce expenditures and look for the most cost-effective ways of providing services in all education programs, we think they will look to these less costly models.

In fact, we have technical assistance centers to help them do this.

Senator ANDREWS. You know the impression you give us on the other side of the bench when you come up with a statement like that is that somehow or another you have found a magic way of doing exactly the same thing that has been done years ago for two-thirds of the cost.

Have your people somehow or another found a way to spend in essence two-thirds of the money and have exactly the same amount of success?

Ms. HARRISON. No; I don't think that we have found a way. I think what's happening is that school districts over the 15 years this program has been in operation, have found ways to have a positive effect on these children, to raise their achievement levels, and to enhance self-perception. They have found ways to do this less expensively than they did in the beginning because they know what they are doing, they are more aware of the needs of the children, the research is available, and they also look to what other school districts are doing.

So the school districts are the ones who are seeking out ways to do it less expensively.

Senator ANDREWS. But, you know, back up just a minute on that one. They have been going along in the program; these children enrolled in it have achievement gains 75 percent higher than similar students not enrolled in it. Now you are saying you have found ways to achieve the same results with two-thirds of the money per student.

Ms. HARRISON. I guess I am not understanding your question.

Senator ANDREWS. You said you have found ways to be much more efficient. I'm just saying, if this thing is going well, why mess it up?

You are saying that out there in the field they have found ways to do the same thing with two-thirds the amount of money.

Ms. HARRISON. What we are saying is there are a variety of approaches that could be used to benefit these children. And among those approaches are a number which are very inexpensive. We have got the information on these approaches, we are able to disseminate them, and we think that school districts will use them.

AVERAGE PER PUPIL EXPENDITURE

Senator ANDREWS. Let's go at it another way. What is the average per pupil expenditure for fiscal 1982 prerescission in this program?

Ms. HARRISON. If we go to our revised request, which——

Senator ANDREWS. No; I said prerescission.

Ms. HARRISON. I am sorry, I thought you said per rescission. The average cost stand at $526 per child.

Senator ANDREWS. $526. What will the fiscal 1983 per pupil expenditure be under your game plan?

Ms. HARRISON. $400 per child.

Senator ANDREWS. And so we go from $526 to $400 per child. That is a reduction of about 25 percent.

And you say they are going to get the same benefit for the individual student because they have learned to adjust their programs that well.

Ms. HARRISON. We are saying that these models are available; we know school districts are using them, and that achievement gains are being made. We are expecting that, in light of the reductions in both Federal, State, and/or local dollars other school districts will look for the most cost-effective methods.

ENROLLMENT TRENDS

Senator ANDREWS. Magic. It's wonderful. I'm a little bit skeptical about it, but we will see.

The fiscal 1983 justifications assume that school districts will have surplus resources available due to enrollment declines through the mid-1980's. But the most recent enrollment projections by the Department of Education show enrollments falling only until 1984 and climbing thereafter. Even today, enrollment declines vary across the Nation, with many areas experiencing increased enrollments.

How will school districts cover the costs of rising enrollments?

Ms. HARRISON. We are projecting that there will be, as you indicated, a slight upturn in the enrollments beginning in 1984. However, even with this slight adjustment upward, enrollments will in no way approximate what we experienced prior to 1980. It is still a real decrease in light of the number of students that were served in 1980 and 1981. We would expect that there would be savings associated with this decrease from 1981, which is the immediate preceding year in terms of Federal funding.

Senator ANDREWS. Isn't it true that most school districts have found savings from enrollment declines to be quite marginal in practice?

Ms. HARRISON. I surmise the word "marginal" would vary from school district to school district. We do not expect a great windfall from the decline in enrollments. However, we do expect that this combined with the reduction in the rate of inflation which we have seen in the last year, will offset the reductions that we are proposing in this program.

TITLE I REAUTHORIZATION

Senator ANDREWS. I understand that title I was reauthorized last year.

Ms. HARRISON. Yes; it was reauthorized in chapter 1 of the Education Consolidation and Improvement Act.

Senator ANDREWS. And the Department is now proposing to change the law by transferring, as I understand it, the State agency handicapped program to a newly proposed education for the handicapped block grant.

Why this transfer, and how do you propose it will work?

Ms. HARRISON. We are proposing that this activity be included with other handicapped programs simply because they serve the same population. I am not familiar with all the details that the changes affect——

Senator ANDREWS. Again, it affects title I education. It was included in title I, and you are dumping it into the overall handicapped block-grant program.

I'm interested in how you think it is going to work, and whether or not it's going to get changed considerably in the jumble.

Ms. HARRISON. Our immediate reason for doing this was to provide better coordination of services, better understanding of the target population, and a better sense of the overall educational needs of these children.

I really can't address the legislative proposal, but we could do it for the record.

Senator ANDREWS. Aren't many in State institutions?

Ms. HARRISON. Some are; yes.

Senator ANDREWS. Wouldn't it be kind of tough to tie it into the concept of title I—to throw all of it together?

Ms. HARRISON. Well, it is being combined with the other handicapped programs. And most of these go through State agencies.

REACTION OF STATES TO BLOCK GRANT

Senator ANDREWS. What's been the reaction of States to the first year of the block grant?

Ms. HARRISON. The July 1 allocation for this year will be the first allocation under the new chapter 1. So States are still operating under the old title I.

Senator ANDREWS. Have they asked you for any assistance?

Ms. HARRISON. We have just published draft regulations and met with the title I coordinators and the State people to discuss what changes they envision in their district as a result of chapter 1. We will continue to consult with them as the regulations are finalized so that programs that are created are ones that they can live with.

NEGLECTED AND DELINQUENT PROGRAM

Senator ANDREWS. Under the category of neglected and delinquent, it has been estimated that only about one-half of those eligible to be served under the chapter 1 program for the neglected and delinquent actually receive such services. And most of those eligible but unserved were under 21 years of age, and in adult correctional institutions.

Why aren't we serving these youth?

Ms. HARRISON. We are proposing in this request to serve 38,000 children in the neglected and delinquent category.

Senator ANDREWS. Well, what about the ones that aren't being served? Why aren't they being served? Half of them—only half of them are getting served.

Ms. HARRISON. One of the concerns we have had about this program is that is has had a very high cost per child.

I would like Mr. Cheatham to continue—but in 1981 they spent $739 per pupil. We think this was a particularly high per pupil cost. Had this been reduced more students could have been served. This was a decision made at the State level. That is, to keep the amount spent per pupil high and serve fewer students.

We are projecting a decrease in the per pupil cost. We think they can serve more students for less money and still provide for their educational needs.

Mr. CHEATHAM. Mr. Chairman, one of the problems we have had with the program for neglected and delinquent, is that there has been a continuing question as to whether State and local agencies are supplying the basic program, which would assure that the title I program is supplemental. We think that if we do a better job over the next couple of years getting the States and locals to put in their fair share base, then we can indeed reduce the Federal share for that particular program. And that's why you will see a projected reduction.

ADMINISTRATIVE REQUIREMENTS

Senator ANDREWS. The Education Consolidation and Improvement Act of 1981 modified various administrative requirements and burdens on States and localities with regard to title I and other elementary and secondary education programs in order to relieve the burdens and costs.

To what extent have schools been freed of unnecessary Federal control?

Ms. HARRISON. As I said, we have just promulgated draft regulations.

In the area of needs assessment, for example, we would expect that there would be some savings.

There are a number of requirements relating to the implementation of the old title I program at the district level, which are not included in chapter 1. We assume that there will be administrative savings associated with that.

Mr. CHEATHAM. An example, Mr. Chairman, comparability reporting is now——

Senator ANDREWS. Will that reduce paperwork or eliminate it?

Mr. CHEATHAM. Yes.

Senator ANDREWS. What is the approximate cost savings, if any, to the States and local school districts as a result of these changes?

Mr. CHEATHAM. Well, the law is not effective until July 1. That is why it hasn't been implemented. Next year it will be fully implemented. And, for instance, I mentioned comparability reports—no longer will local school districts be required to file comparability reports. This will relieve one of the burdens that many school districts have talked about. They will not have to be filed with either the State agency or the Federal Government any longer.

Applications will be filed with State agencies on a 3-year cycle.

CHAPTER 1 REGULATIONS

Senator ANDREWS. You have finished those regulations?

Mr. CHEATHAM. We have draft regulations out for comment. The comment period closes in April.

Senator ANDREWS. Would you provide to the committee those draft regulations so we can see what kind of a track record you have got and what we can expect?

Mr. CHEATHAM. Certainly.

[CLERK'S NOTE.—A copy of the proposed chapter 1 regulations is located in the subcommittee's files.]

PARENTAL ADVISORY COUNCILS

Senator ANDREWS. On parental advisory councils, how important is parental involvement to the quality of education?

Ms. HARRISON. Parental involvement has been an important part of the old title I program. Chapter 1 does not require parent advisory councils as was required in the past.

Senator ANDREWS. That's why I prefaced my second question with the first question, because I am wondering how these recent legislative changes eliminating the authority for title I parental advisory councils will affect the amount of parental involvement in title I education programs?

I'm also wondering if they will adversely affect the quality of title I programs?

Ms. HARRISON. We think because of the success of this program and because parents have traditionally been very much involved, parental advisory councils will continue to be involved. They may not be required to have a meeting once a month in accordance with our regulations, but we have every reason to think they will continue to stay involved, particularly if dollars are fewer and they are concerned about the quality of these programs. It is to their benefit to keep these programs going. So, we are not concerned that they will drop out.

Senator ANDREWS. You expect them to stay active even though there isn't a formal involved structure for them to work within?

Ms. HARRISON. Yes, we do. There is a long history of this involvement.

Senator ANDREWS. Have they been listened to by the school authorities without the structure?

Mr. CHEATHAM. Mr. Chairman, in this area we really worked hard to take a lead from the Congress where we were instructed, first as you mentioned, to relieve school districts of burdens, but also to allow more decisionmaking at the State and local level. So, there is a requirement for parental involvement in terms of consultation. No requirement for councils.

But, as the Congress stated in the conference report, or in the comments they provided us, parental advisory councils may be maintained by school districts if they decide to do it that way. And so we have in our draft regulations, allowed for State and local agencies to make that determination as to whether they will have councils.

One way to provide for consultation is to require councils. But as the Congress stated in the statute, it is not mandated. And that is really the lead that we have followed.

Senator ANDREWS. You can always put that back in again if you decided you needed it.

Mr. CHEATHAM. Yes.

Ms. HARRISON. That is a good example of reducing administrative burdens. We think they are going to have a council in many places, we think they are going to have the involvement. But requiring it and making sure they have proven it to us and giving reports does not seem to add very much to the administration of the program.

Senator **Andrews**. Except you have got to have the carrot in order to get the donkey to move. And somehow or another, without the structure—what you are looking for is the voluntary involvement of parents in the education of their children. But you have got to put some kind of bait out there to lure them in in the first place. Then they will take off from there.

I think when the Congress was talking—and I can't speak for the 530-some-odd Members individually, but when the Congress was speaking to the issue of reducing the level of interference and creating a structure that encourages volunteerism, and parent participation, it was not really talking Government interference so much as it was trying to foster incentives to get what it felt was the best and the most needed.

CHAPTER 1 MIGRANT EDUCATION PROGRAM

Another issue, that of migrant students. Migrants, of course, are transient in nature because they travel from State to State in search of employment. The migrant education program has been considered a justifiable Federal responsibility.

How realistic is it to assume the States will support the special educational needs of migrant workers' children who are a transient population when severe cuts have already been made and more proposed in many education programs serving children of the resident population?

Ms. **Harrison**. We understand that not only will the State serve them, indeed they are serving them now. Once again this is a supplemental program. In 1981, we have been providing $616 per student. That in no way covers the full cost——

Senator **Andrews**. You serve them now because you have got the program. Without the program what's going to happen?

Ms. **Harrison**. We are proposing to continue funding the chapter 1 program for migrant children. Are you talking about HEP and CAMP?

Senator **Andrews**. I'm talking about migrant programs which, on our table show a $52 million rescission and a reduction of $88 million in budget requests for fiscal 1982, which is $140 million out of an overall fiscal 1982 comparable of $255 million. This is a 65-percent reduction.

Ms. **Harrison**. In 1981 we had a per pupil cost of $616 per child. We are projecting a $531 cost per child in 1983.

Senator **Andrews**. What are you going to do with the extra children?

Ms. **Harrison**. We are expecting that they will be provided for by State and local.

IMPACT OF PROPOSED BUDGET REDUCTION

Senator **Andrews**. You are going to have a lot of children run off the rolls if you make a 60-percent cut and reduce by 25 or 20 percent the payment per student.

Mr. **Rivera**. Mr. Chairman, the nature of the program, of course, was supplemental from the very beginning. There has been a concerted effort on behalf of the States and on behalf of the Federal Government to assure that these youngsters have equal access to the total services that the school district is offering all children.

We believe that with the efforts that have been made within the last 14 or 15 years in this area, a number of school districts have seen the impact that the youngsters make and are affording these youngsters equal access to the educational opportunities they offer all of the other kids.

MIGRANT SUMMER SCHOOL PROGRAM

Senator ANDREWS. Well, that's fine, except for the fact that in my part of the country, and I suspect probably, in the northern States, equal access is worth absolutely zero, because there are no school programs during the summer. You have got to start your special programs at a time when the rest of the students are not in the school, and you have got to hire some teachers that aren't normally teaching that time of the year. You have got to make contracts for building facilities, you have got to hire some bus drivers to transport the students.

We don't have any problems with migrants during the regular school year, because they just go to class with everybody else. But you have a whale of a problem if they are there in June, July, and August when you don't have school. That's when they are in Minnesota, Wisconsin, Michigan——

Mr. RIVERA. That's precisely the point. We were talking about the regular school year. Summer school, of course, is a different matter absolutely. It is a high-cost program because there are no equitable resources being applied——

Senator ANDREWS. You are cutting it. You are cutting it dollarwise per student. It is not enough——

Mr. RIVERA. The emphasis of the program, Mr. Chairman, has always been placed on active migrant children as top priority, or the currently migratory child.

This is basically what we have been concentrating on while working with the States so that they could concentrate on the needs of the current migratory children. In the northern areas it would actively involve summer youngsters.

REDUCTION IN CHAPTER 1 MIGRANT SUMMER SCHOOL PROGRAM

Senator ANDREWS. You have not told the committee, or at least the chairman has not perceived in the testimony I just got, that you are shifting from the migrant student program that has operated concurrently with the normal school program, and you are going to keep the same amount of per pupil resources for migrant student programs in areas where their educational needs do not coincide with the rest of the population's education. I didn't understand it that way.

You said you were going to take a cut in dollars per student, and you were going to take a cut—or at least you were going to hope that a number of these students were going to disappear in your cutback.

Now I'm just wondering, who falls through the cracks?

Obviously, you can't walk into an area like ours where the schools don't function, cut out the program and cut out the educational opportunities.

Ms. HARRISON. The program that we have, funds both the regular program and the summer program. We provided a higher per pupil cost in previous years for summer programs because——

Senator ANDREWS. Are you then, based on what your colleague has just said, going to maintain the same pupil stipend for nonconcurrent migrant school programs?

Ms. HARRISON. We look at summer programs based on the information States send to us on what it costs them to run those programs.

Senator ANDREWS. Are you going to cut the summer programs by the same proportion you cut the other programs? That's what I thought you said in the first place. Then your colleague just said, "No," because it is a special deal, so you are not going to cut them as much.

Ms. HARRISON. We didn't make, in this budget request, any arbitrary decision on how to allocate the moneys between the summer and the regular school program.

Senator ANDREWS. No, but in going along with the request you are presenting the subcommittee, the subcommittee has to take a look at how it is going to function out in the field and find out what your plans are. Given the fact that we have determined already in this exchange, that there is a special need for those students who are not educated concurrently with the resident population, I still fail to see where you have made any provisions for that particular need.

Ms. HARRISON. Our plan would be to defer to the State in terms of the priority they set on the summer program versus the regular programs.

In all of these programs when the dollar level is cut, the State can either serve a smaller number of students or lower the per pupil cost. But this is a decision that they make.

Senator ANDREWS. In North Dakota, Minnesota, Wisconsin, South Dakota, Montana, migrant students come during the summer. There aren't any migrant students around in 40 below zero weather. Besides which, if they are agricultural workers there is nothing for them to do. Cold weather has a tendency to really stop plant growth.

If you've got anything to pick in the field and you don't have it picked by the time it gets to be September, it is frozen and isn't worth picking. [Laughter.]

Ms. HARRISON. I would expect summer funding to be available for the use of migrant students, and that there would be no need for us not to let them spend their proportionate share for such programs.

Senator ANDREWS. If you cut a program in a northern State by the same percentage that you cut a program in Alabama, you are cutting out 100 percent of funds that are nonconcurrent educational needs for migrant children in northern States. Whereas in the southern States, the cut probably represents only a 25- or 30-percent reduction in funds for nonconcurrent education. There is a difference. And I just don't perceive that you have acknowledged that difference, or at least you haven't said that.

Your colleague has said there is a difference. But from what I can draw out of you, you haven't indicated that you have made any plans to address that difference. And I don't want to be leading the witness, but like the auctioneer says, "Going, going * * *"

Ms. HARRISON. Let me make one more statement. We treat the summer programs differently than we treat the regular school year programs now. For that reason I did not make any distinction because we have always treated them differently. We have allowed the States to create their own priorities in the past. We would expect that that would happen under the 1983 programs in precisely the same way it has happened before.

So, if your State wanted to spend a large share of its money on the summer program, we would be prepared to allow them to do precisely that. In fact we do not compare the cost of the summer program in North Dakota and South Dakota to that of California. It is different now from State to State.

Senator ANDREWS. In a sense, the State program in North Dakota is the summer program and it's the same in many other northern States. We don't have the option of deciding whether we are going to concentrate on the special summer program or on the regular program. You cut the gross dollars in those States which are largely summer programs. There is no local option to transfer it. You will have a lot of educational opportunities go out the window.

We've probably booted this one around as much as we can.

HIGH SCHOOL EQUIVALENCY AND COLLEGE ASSISTANCE MIGRANT PROGRAMS

The migrant high school equivalency program and the migrant college assistance program are two others to be addressed.

Your rationale for eliminating the migrant high school equivalency program and the migrant college assistance program seems to be based on the fact that other programs in the Department serve the same groups, but at a lower cost.

You cited two specific examples where there was an adult education program providing high school equivalency and special services for the disadvantaged providing some college preparatory services. Yet you fail to mention that you are proposing to fold the adult education program into a vocational education block grant accompanied by large funding cuts, and to cut the special programs for the disadvantaged by 50 percent in fiscal 1983.

What evidence do you have to indicate that migrant youngsters will receive high school equivalency and college assistance under other Department of Education programs?

Ms. HARRISON. We could not guarantee that they will continue to receive services. What we are saying is that they are eligible for these other programs. The cost per pupil is substantially less than the cost in the HEP and CAMP programs.

Senator ANDREWS. Do you suspect there will be enough resources around from the other programs so they can and will be accommodated?

Ms. HARRISON. We expect that they will compete for them in the same way that other——

Senator ANDREWS. I didn't ask if you expect. I just asked if you "suspect."

Ms. HARRISON. We suspect it, too.

We expect that they will apply and they will be the special eligible applicants for these programs.

Senator ANDREWS. Because there is enough funding to take these additional ones and the program funding there will be adequate to do the job that it has done under title I funding?

Would college stipends for migrants be eliminated along with the rest of the college assistance program?

Ms. HARRISON. We are proposing to eliminate the HEP and CAMP programs in their entirety in 1983.

ALLOCATION OF CHAPTER 1 FUNDS

Senator ANDREWS. Are you proposing to allocate title I local education agency grants on the basis of 1970 census data for fiscal 1982, or will 1980 census data be available in time for the fiscal 1982 allocations?

Ms. HARRISON. We understand that the 1970 census data will be the latest available data in time to make the 1982 allocation. So in the 1982 year we will use 1970 census data.

As the 1980 data are available, we will use them in 1983.

Senator ANDREWS. Well, what about the next year then?

Ms. HARRISON. If the data are available, if the 1980 data are available, we will use them.

Senator ANDREWS. Why do you continue to use 12-year-old data if we've got a new census? What's the matter with the new census?

Ms. HARRISON. The census data which would derive from the 1980 census are not available to us. It is our understanding, they are not available to our agency, or any other agency. This data will not be available to make the July 1 allocations. And the statute says "the latest available data" which in this case, unfortunately, is 1970.

Senator ANDREWS. I don't know if we are wrestling around with that in other committees that I serve on. I recall years ago when I was on a subcommittee that funded the census, they were very proud that they could get that information out very rapidly. The reason for it was, in those days, the Census Bureau had a mid-decade census to help make sure that we were dealing with current information. But you are telling me now that in essence we are going to slip 3 years really before they get the information out to you.

Ms. HARRISON. This is what we have been told.

Senator ANDREWS. Would you provide for the record the request that you made to the Census Department, and what kind of answer you got from them?

Ms. HARRISON. Yes, we can provide that.

[The information follows:]

LETTER FROM MARTIN FRANKEL, ACTING CHIEF, ALLOCATION SECTION, OFFICE OF THE ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT, DEPARTMENT OF EDUCATION

DECEMBER 10, 1981.

Mr. PETE BOUNPANE,
Assistant Director for the Decennial Census, Department of Commerce,
Bureau of the Census, Washington, D.C.

DEAR MR. BOUNPANE: The National Center for Education Statistics—NCES—requires 1980 census data, by county, for both the ages 5–17 population below the poverty line and the ages 5–17 population. We believe these data are available on summary tape file III. The requested populations will be used to compute the budget distribution for chapter 1 of the Education Consolidation and Improvmement Act—formerly title I of the Elementary and Secondary Education Act of 1965—for school year 1982–83.

Please notify us as to when the data tapes are expected to be available. We would also appreciate being informed if the scheduled date should change considerably. Thank you for your cooperation.

Sincerely,

MARTIN FRANKEL,
Acting Chief, Allocations Section.

LETTER FROM PETER A. BOUNPANE, ASSISTANT DIRECTOR FOR DEMOGRAPHIC CENSUSES, OFFICE OF THE DIRECTOR, BUREAU OF THE CENSUS, DEPARTMENT OF COMMERCE

JANUARY 7, 1982.

Mr. MARTIN FRANKEL,
Acting Chief, Allocations Section, National Center for Education Statistics,
Department of Education, Washington, D.C.

DEAR MR. FRANKEL: This is in response to your letter of December 10, 1981, concerning the 1980 Census Summary Tape File 3—STF 3.

STF 3 will provide information on poverty status for related children 5 to 17 years old: please refer to matrix 94 on page 27 of the enclosed tabulation specifications. These data represent a subset of the total 5- to 17-year-old population specified in your correspondence, and it is our understanding from past discussions with your organization that these are the appropriate data for use under chapter 1 of the Education Consolidation and Improvement Act.

The STF 3 data products are scheduled to be released on a State-by-State basis beginning in April 1982. We will inform you if this schedule should change significantly.

If we may be of additional assistance, or if you have questions please let us know.

Sincerely,

PETER A. BOUNPANE,
Assistant Director for Demographic Censuses.

PRIVATE SCHOOL STUDENTS

Senator ANDREWS. To what extent do private school students receive title I funds?

Mr. CHEATHAM. We presently serve 190,000 students.

Senator ANDREWS. Is that number likely to increase, decrease, or stay the same in light of greater flexibility in the school districts?

Mr. CHEATHAM. We think it will stay proportionately the same.

SUBMITTED QUESTIONS

Senator ANDREWS. Thank you very much.

The subcommittee will stand in recess for approximately 15 minutes.

[A brief recess was taken.]

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TITLE I EVALUATION RESULTS

Question: Title I of the Elementary and Secondary Education Act, recently renamed Chapter 1, under last year's reconciliation Act, is a compensatory program for the disadvantaged. Since 1965, its goals have been to help educationally deprived children raise their achievement levels in school. In fiscal year 1982, the Congress appropriated approximately $2.9 billion for Title I, an amount at least $300 million below the fiscal year 1980 level. Yet the President is proposing an additional $411 million rescission for 1982 and an fiscal year level amounting to $1 billion below the 1982 enacted level for Title I services.

Evaluation information from a wide variety of sources -- the National Institute of Education, the Sustaining Effects Study, the National Assesment of Education progress, State and local program evaluations -- clearly indicates that the Title I program has a positive impact on pupil achievement. You indicate agreement with this assessment in your justifications.

In general, can you summarize for us recent evaluations and findings regarding the success and sustaining effects of Title I instruction on disadvantaged younsters? For example, how do Title I students fare in reading and math as compared with similar non-Title I students?

Answer: Recent studies show that, while they are in the program, students make considerable achievement gains during the school year. These gains are greater than those realized by children not participating in the program. For example:

- NIE's Congressionally-mandated study of Title I instruction shows that first and third graders, gathered from a sample of 400 classrooms, made substantial gains in reading and mathematics.

- An Office of Education sponsored study carried out by the Educational Testing Service and RMC Research Cooperation showed that a nationally representative sample of children in grades two, four, and six tended to maintain their academic position relative to their more advantaged peers and in some cases even "catch up" with non-compensatory students between fall and spring of the school year. Without compensatory assistance, disadvantaged students fall further behind.

- Title I schools in the Los Angeles Unified School district show specific improvement in reading and math achievement scores. Average percentile ranks in reading increased from the 25th percentile ranks in 1972 to the 31st percentile in 1976. Average percentile ranks in math increased from 21 to 36 during the same period.

An interim report released in November 1981 on the Sustaining Effects of Compensatory Education, which is an ongoing evaluation, confirms many of the earlier successes of the program. Findings from the first six years of that study are highlighted below:

- In 1976, 68 percent of the Nation's public elementary schools were offering Title I programs, including 90 percent of those with half or more of their students from poor families and 84 percent of those with half or more of their students reading a year or more behind their peers.

- Of the approximately 4,967,000 youngsters in grades 1-6 scoring in the bottom quartile of the achievement distribution nationwide, about 1,579,000 or 32 percent were participating in Title I.

- Instructional resources devoted to a Title I child's reading or math program are about 1 1/2 times as great as those available to noncompensatory students in those subjects.

- Of the 214 Title I districts in the Sustaining Effects Study, 114 or 53 percent were providing services to non-public students in 1976-77 with a per-pupil Title I expenditure comparable to that for the public school students.

- Title I students progressed over the course of a school year more than would be expected for them without the program in grades 1-6 in math and 1-3 (but not 4-6) in reading.

- Title I effects were found to persist over the next summer and school year even after services had ended.

- Several factors were found to be related to the one-year student gains. These were greater teacher experience, greater amounts of regular instruction, and work with a tutor, lack of disruptions to instruction, frequent feedback on student progress, and teacher effort in planning and evaluation. (More detail on long-term gains and classroom practices will be available in later reports which will become available over the next year.)

JUSTIFICATION FOR REDUCED CHAPTER 1 FUNDING

Question: Why, then, do you request that funding be reduced by almost one-third from its present level?

Answer: The proposed budget reductions for Chapter 1 programs in fiscal years 1982 and 1983 are part of the President's general policy of decreasing Federal expenditures. Reducing the Federal budget across the board is a vital element in President Reagan's program to control inflation and to revive the Nation's economy. Moreover, in relative terms the programs authorized under Chapter 1 remain one of the highest priorities within the proposed Foundation, accounting for about 22 percent of its total 1983 request.

In making these difficult choices on where to cut the budget, we have attempted to spread the burden as fairly as possible among various beneficiaries of our programs, while still reflecting priority areas. We realized that these budget reductions cannot be achieved without pain, but it is necessary to press forward with our efforts in order to restore the economic health of our country.

Finally it is important to note that inflation has eroded the purchasing power of the $181 billion spent nationally on education. The 3.5 percent reduction in inflation from 12.4 percent in 1980 to 8.9 percent in 1981 meant that the purchasing power of the education dollar was increased by $6.4 billion. Every one percent reduction in inflation will add about $1.8 billion to education in terms of purchasing power. Thus even a two percent reduction in the inflation rate will practically offset the total Federal budget decreases that we have proposed. The President's program of reducing Federal expenditures will help in controlling inflation.

TARGETING OF TITLE I FUNDS

Question: Are Title I funds well targeted to poor areas?

Answer: Evaluation data indicate that the program is generally well targeted:

- For example, the NIE Title I evaluation study found that there is a high correspondence between the number of students from poor backgrounds in a school and that school's receipt of funds. The study indicates that as the proportion of poor students in a school increases, so does the likelihood that it will be a Title I school.

- The Basic Grants program is effective in providing compensatory services to the lowest achieving students. Of those students receiving achievement status; two-thirds are from poverty or near poverty backgrounds. About 55 percent are white, 35 percent are Black, and the remainder come from predominantly Hispanic backgrounds.

TITLE I SERVICES

Question: To what extent do Title I programs concentrate resources on such basic skills as math and reading?

Answer: More than 85 percent of the participants will receive compensatory instruction in reading and language arts and 44 percent will receive supplementary services in mathematics. Children also receive supportive srvices such as health, nutrition and transportation.

IMPACT OF PROPOSED CHAPTER 1 REDUCTIONS

Question: It is obvious that even in recent years, Title I funds have only been able to serve more than roughly one-half of the educationally deprived children in this Nation. Given your stated budget objective to provide Federal aid to those most in need, what rationale is there for your proposal to meet an even smaller share of this great need?

Answer: Despite the proposed budget reduction and the favorable evaluation results, we do not believe that the 1983 Chapter 1 budget request will necessarily result in a decrease in the quality of services or in the number of children served. State and local education agencies will seek more cost-effective ways of providing compensatory education services as a means of offsetting the reduced Federal contribution. The proposed Foundation will continue to identify and disseminate such cost-effective projects, especially those that emphasize instruction in basic skills and have a low cost per child.

We have identified at least a dozen exemplary Chapter 1 (Title I) projects that have a relatively low cost per child (ranging from $220 to $567). These projects have been shown to work and are available for dissemination and use by other school systems.

After 15 years of operation the Chapter 1 program has moved beyond the stage of having to develop compensatory education programs that work. Proven approaches for providing compensatory education services are available which school districts can implement at a much lower cost.

Question: As with fiscal year 1982 rescission proposal, you predict that Title I budget reductions for fiscal year 1983 would primarily affect the expenditures per pupil (-16 percent), not the number of pupils served (-2 percent), Why do you predict this pattern of impact, especially when school districts will face continued increases in costs?

Answer: How State and local education agencies chose to absorb the proposed Federal reduction in Chapter 1 program is a local decision. However, we do not believe the proposed cuts in the Chapter 1 budget must necessarily result in a decrease in the quality of compensatory education services or in the number of children served. We have identified a least a dozen Chapter 1 (Title I) projects that have a relative low cost per child (ranging from $220 to $567). These projects have demonstrated their success and are avaialble for dissemination and use by other school systems. The school districts which have developed these approaches range from rural districts to districts in heavily urbanized ares. We believe that other school districts can implement projects such as these at a much lower cost. It is incumbent upon financially hard pressed schools districts to look at projects such as these for possible use in their own settings. The proposed Foundation will continue to identify and disseminate information on low-cost successful Chapter 1 projects.

Below is a list of these exemplary projects and a brief descriptions of their programs:

Highland Park, Michigan
Project name: High Intensity Tutoring
Cost per pupil: $220
Description:

- o Provides individualized instruction to develop vocabulary, reading comprehension and mathematics skills
- o Serves sixth, seventh, and eighth grade students
- o Makes extensive use of student peers as tutors to assist in developing skills and reinforcing correct performance

Dilwyn, Virginia (Buckingham County Public Schools)
Project name: Computer Assisted Diagnostic Prescriptive Program in Reading and Mathematics (CADPP)
Cost per pupil: $373
Description:

- o Project is a pull-out program which uses resource labs and computer assistance to diagnose reading and math problems among

students and provides teachers with prescriptions to help them in meeting those problems
- Program has been listed by NDN as an exemplary project since 1979

Logan, Utah
Project name: Remedial Reading, Secondary Education
Cost per pupil: $338 - $380
Description:
- Treats problem of reading deficiencies in secondary school students through personalized and concentrated interaction with students
- Makes use of teachers and teacher aides
- Provides instruction on a daily basis
- Provides for a adult/student ratio of one-to-one

Columbus, Nebraska
Project name: Administrative Cooperative in Education
Cost per pupil: $285
Description:
- The project provides Title I services to sparsely populated rural districts which are often too small to furnish all the services needed for an effective compensatory education program
- The project has four basic elements: an administrative model, teacher in service training component, a materials resource center, and a parent involvement program
- These various elements are used by various rural school districts participating on a cooperative basis
- Project has been listed by NDN as an exemplary program since 1978

Des Moines, Iowa
Project name: Title I Compensatory Math Program
Cost per pupil: $406
Description:
- Project identifies students each year who are in need of remedial mathematics instruction
- Each student receives 30 minutes of daily instruction in small groups (not more than 10 pupils per teacher)
- Emphasis also placed on personal contact between teacher and parents. Title I teachers are allowed one-half day per week to make home visits, hold conferences, and assist parents with materials for use at home

Ft. Dodge, Iowa
Project name: Title I Reading Project
Cost per pupil: $387 - $484
Description:
- Project provides individualized instruction for disadvantaged students to enable them to become competent readers
- Language development and comprehension emphasized
- Project has been in existence since 1965

Chester, Pennsylvania
Project name: Reading Achievement Program (RAP)
Cost per pupil: $323
Description:
- Is a pull out program that provides intensive remedial reading instruction to educationally disadvantaged children in grades two through five.
- Emphasizes building vocabulary skills and increasing reading comprehension

- Conducts instructional sessions in small groups (one teacher to six pupils); each session meets daily and lasts 30 minutes
- Has been in operation since 1978

Kenosha, Wisconsin
Project name: Academic Improvement Through Language Experience
Cost per pupil: $442
Description:

- Instruction is tailored to the needs of the individual student and takes place in small groups
- Project serves approximately 1,200 students during the school year and 450 in the summer
- Intensive inservice training and parent participation are essential elements of this program.

Portland, Oregon
Project name: Upstairs School
Cost per pupil: $275
Description:

- Project improves reading, mathematics, and English ability of secondary school students
- Students are pulled out of regular classes and attend a highly structured "school within a school."
- Student participants attend daily 50 minute classes in the area of their needs

Yeadon, Pennsylvania (William Penn School District)
Project name: Professional Reading Instruction with Desirable Effects (Project Pride)
Cost per pupil: $379
Description:

- Project PRIDE is a pull-out remedial program
- Pupils diagnosed as having reading problems attend daily 25 minute reading sessions conducted by teachers who specialize in teaching reading
- Classes are small with five or fewer pupils per teacher
- Individualized instruction given for those pupils who have severe reading deficiencies

Winchester, Virginia
Project name: Compensatory Reading and Mathematics Program (CRAM)
Cost per pupil: $567
Description:

- Project is a pull-out program in which students receive instruction in reading and mathematics
- It serves students in grades one to four in reading and pupils in grades three to four in mathematics
- Project emphasizes reading word recognition and comprehension skills as well as basic mathematics computation skills
- Students meet daily for 30 minutes
- Classes have a pupil-teacher ratio of about five-to-one

Ft. Collins, Colorado
Project name: Project PRIOR: Preschool and Improvement of Reading
Cost per pupil: $516
Description:

- The project is a pull out program that provides remedial reading services to elementary school students
- The project also offers a preschool program to provide children with education experiences needed for later services in school
- The reading component provides 30 minutes of daily instruction

- Reading instruction emphasizes applications of reading skills rather than isolated drill

Des Moines, Iowa
Project name: Title I Compensatory Reading Program
Cost per pupil: $447
Description:

- Project identifies students each year who are in need of remedial mathematics instruction
- Each student receives 30 minutes of daily instruction in small groups (not more that 5 student per teacher)
- Emphasis also placed on personal contact between teacher and parents; Title I teachers are allowed one-half day per week to make home visits, hold conferences, and assist parents with materials for use at home.

IMPACT OF PROPOSED CHAPTER 1 CUTS ON LOCAL SCHOOL DISTRICTS

Question: Altogether, you perdict that the expenditure per participant will fall from $526 for fiscal year 1981 to $400 for fiscal year 1983 -- a 24 percent reduction. Cost increases would make the reduction in purchasing power even greater. Isn't it more likely that school districts will merely eliminate many children from the programs, rather than attempt to find creative ways to reduce the per pupil expenditure so that the same number of children would be served?

Answer: Again we do not believe that State and local educational agencies must necessarily lower the quality of compensatory education services or reduce the number of children served because of the proposed decrease in the Chapter 1 budget. There are a number of successful projects that have been operated at a low cost per child. Local school districts will have to examine alternatives like those identified earlier in order to offset the decreased Federal contribution.

PRIVATE SCHOOL PARTICIPATION

Question: To what extent do private school students receive Title I funds?

Answer: Over 190,000, or approximately four percent of the Chapter 1 children served in local education agencies, are enrolled in nonpublic schools.

Question: Is that number likely to increase, decrease, or stay the same in light of greater flexibility given to school districts resulting from recent legislative changes?

Answer: Chapter 1, like Title I, provides that educationally deprived children in private elementary and secondary schools are entitled to receive educational services on the same basis as children in public schools. Because Chapter 1 retains the same extensive provisions of Title 1 for the participation of educationally deprived children in private schools who reside in project areas, it is expected that the percentage of participants who are from private schools will remain the same under Chapter 1 as under Title I.

USE OF CENSUS DATA FOR CHAPTER 1 ALLOCATIONS

Question: Are you proposing to allocate Title I local education agency grants on the basis of 1970 census data for fiscal year 1982 or will 1980 census data be available in time for the fiscal year 1982 allocations?

Answer: It is unlikely that poverty data from the 1980 Census will be avialble before the end of next summer, and therefore would not be available in sufficient time to be used in the computation of the fiscal year 1982 allocations. In any case, appropriation language has been included in the 1982 rescission proposal which stipulates that any resulting reductions in the appropriation shall be proportionately distributed among the States and local educational agencies.

Question: Is this the best way to distribute limited funds to meet current needs?

Answer: The proposed appropriation language will have the effect of ensuring that each LEA will maintain its position relative to other in terms of the amount of funds received in fiscal year 1981.

HIGH SCHOOL EQUIVALENCY AND COLLEGE ASSISTANCE MIGRANT PROGRAM

Question: Your rationale for eliminating the Migrant High School Equivalency program and the Migrant College Assistance program are based on the fact that other programs in the Department serve the same groups but at a lower cost. Specifically cited are the Adult Education program providing high school equivalency and Special Services for the Disadvantaged providing some college preparatory services. Yet you fail to mention that you are proposing to fold the Adult Education program into a Vocational Education Block Grant, accompanied by large funding cuts, and are proposing to cut Special Programs for the Disadvantaged by 50 percent in fiscal year 1983.

What evidence do you have to indicate that migrant youngsters will receive high school equivalency and college assistance under other Department of Education programs?

Answer: The High School Equivalency program (HEP) awards grants to colleges and universities for providing educational services for low-income migrant and seasonal farmworkers beyond the age of compulsory education to help them gain a high school diploma or equivalency certificate. Like HEP, the Adult Education program provides services to disadvantaged adults beyond the age of compulsory education to enable them to develop basic skills and in many cases earn a high school diploma or equivalency certificate. Although the Adult Education program is proposed for consolidation with Vocational Education in a block grant, we believe that States will continue providing adult education services. Because they are disadvantaged, migrant students would be among those in the pool of individuals eligible for services under the proposed Vocational/Adult Education consolidation.

The College Assistance Migrant program (CAMP) awards grants to postsecondary institutions which in turn offer special support services such as tutoring and counseling as well as stipends to first year migrant students. Like CAMP, two activities within

Special Programs for the Disadvantaged in the Higher and Continuing Education account offer similar services. The Upward Bound program funds projects that generate skills and motivation for success in education beyond high school for economically disadvantaged students. Also the Special Services program funds projects that provide tutoring, academic counseling, and other special services to assist disadvantaged students in college to complete their studies. Although the budgets for these two programs are proposed for reduction as part of the President's general policy of cutting Federal spending, migrant students, because they are disadvantaged, would be eligible for awards under these programs. Also students who could participate in CAMP are also eligible for student financial assistance under the Pell Grants program and the Guaranteed Student Loan program.

Also note that both migrant programs are expensive relative to the number of students served. In 1981 HEP and CAMP together served 2,811 students at an average cost to the Federal Governement of $2,598 per student. The cost per student is extremely high when compared to other Federal education programs. For example, in 1981 the average per student cost to the Federal Government of the Adult Education program stood at $45 per student. The cost per student to the Federal Government for the Upweard Bound program in 1981 was $450. The average per student cost for the Special Services progam in 1981 was $420.

Question: Would college stipends for migrants be elimiated along with the rest of the College Assistance programs?

Answer: Yes, the fiscal year 1983 budget request includes no funds for the College Assistance Migrant program.

STATE AGENCY MIGRANT PROGRAM

Question: How realistic is it to assume the States will support the special educational needs of migrant children who are a transient population, when severe cuts have already been made and are further proposed for many education program serving children of the resident population?

Answer: Despite the requested reductions in Chapter 1 programs for fiscal years 1982 and 1983, the proposed Foundation has requested funding specifically for the State Agency Migrant program. In making the choices on where to cut the budget, we have attempted to spread the burden as fairly as possible among the various beneficiaries of our program, while still reflecting priority areas.

MIGRANT STUDENT RECORD TRANSFER SYSTEM

Question: How effective is the Migrant Student Record Transfer System in keeping accurate records of migrant youngsters in the United States?

Answer: The Migrant Student Record Transfer System is a computerized educational and medical information transmittal system. Efficiency checks built into the sytem indicate a 99.5 percent accuracy in its record keeping and tracking capability.

STATE AGENY NEGLECTED AND DELINQUENT PROGRAM

Question: It has been estimated that only about one-half of those eligible to be served under the Chapter 1 program for the neglected and delinquent actually receive such services. Most of those eligible but unserved were under 21 years of age in adult correctional institutions. Why are these youth not being served?

Answer: The Department of Education policy towards the Title I program has been to encourage grantees to concentrate funds on the children most in need. Requirements such as "sustaining gains" and "sufficient size, scope, and quality," further motivate grantees to serve less than the total eligible population. Although they are eligible, the number of children under 21 years of age in many adult correctional institutions is not sufficient to justify a complete program.

Question: How has the Title I program for neglected and delinquent youngsters been effective in improving their attitudes toward school and toward themselves as learners, as indicated in the Department's annual evaluation report for fiscal year 1981?

Answer: Evaluation results of the Neglected and Delinquent Study showed that generally, more favorable student attitudes were not related to achievement.

Although students attitudes bore little relationship to achievement gains, changes in attitude were significantly related to achievement gains. Positive relationships were found for reading and mathematics gains and changes in reports of self-esteem, the degree of school involvement, perceptions of teacher supportiveness, and perceptions of the practical orientation of correctional education programs.

REDUCTION IN ADMINISTRATIVE BURDEN

Question: The Education Consolidation and Improvement Act of 1981 (ECIA) modified various administrative requirements and burdens on States and localities with regard to Title I and other Elementary and Secondary Education programs in order to relieve the burdens and costs. To what extent have schools been freed of unnecessary Federal control?

Answer: Chapter 1 of ECIA retains most of the basic project design requirements in Title I, However, these requirements have been simplified and made more flexible. Chapter 1 made the following major changes to the program requirements:

- A local education agency (LEA) must be able to identify its educationally deprived children but need not limit participation to those most in need of eductional assistance.
- An LEA is required to consult with parents and teachers of children being served, but is no longer required to have parent advisory councils.
- Although an LEA is required to evaluate its projects, it is not required to use any particular evaluation model.

- A ten precent leeway is permitted in meeting the maintenance of effort requirement. The State education agency (SEA), rather than the Secretary, is authorized to waive the requirement.

- An LEA is deemed to have met the comparability requirement if it has filed a written assurance that it has established: a district-wide salary schedule; a policy to ensure equivalence among schools in the assignment of staff; and a policy to ensure equivalence among schools in the provisions of materials and supplies. Unpredictable changes in enrollment or personnel assignments after school begins are not factors in determining compliance with the comparablity requirement.

Question: To what extend has paperwork been reduced?

Answer: The area in which paperwork has been reduced most dramatically is the comparability requirement. Under Title I, each LEA was required to file a comparability report and to keep all records, worksheets, and documents from which it derived data on the average number of childern enrolled per instructional staff member and the average per child expenditure of State and local funds for instructional staff in each school. Under Chapter 1, an LEA is deemed to have met the comparablity requirement if it has filed with the SEA a written assurance that it has estabished: (1) a district-wide salary schedule: (2) a policy to ensure equivalence among schools in teachers, adminstrations, and auxiliary personnel; and (3) a policy to ensure equivalency among schools in the provision of curriculum materials and instructional supplies. In addition, unlike Title I, Chapter 1 provides that unpredictable changes in student enrollment or personnel assignments that occur after the beginning of a school year are not included as a factor in determining compliance with the comparability requirement.

Question: What is the approximate cost savings to the States and local school disticts as a result of these changes?

Answer: To the extent feasible, the Secretary will give deference to an SEA interpretation of a Chapter 1 requirement if that interpretation is consistent with the Chapter 1 statute, legislative history, and regulations. Until Chapter 1 has been implemented and a review of each State's interpretations has been made, it is impossible to estimate the cost savings to the States and LEAs.

STUDENT ENROLLMENT

Question: In the fiscal year 1983 justification, it is assumed that school districts will have surplus resources available due to enrollment declines through the mid-1980s. But, the most recent enrollment projections by the Department of Education show enrollments falling only until 1984 and climbing thereafter. Even today, enrollment declines vary across the Nation, with many areas experiencing increased enrollment. How will school districts cover the costs of rising enrollments?

Answer: Although it is true enrollments will probably experience an upturn beginning in 1985, the number of students, enrolled in elementary and secondary education are not expected to reach the level of 1980 and before during this decade. We do not expect that this expansion in enrollment will require a large outlay by school systems for new physical facilities since existing facilities had been built in the late 1960s and 1970s to meet the peak enrollments in those years. Moreover, enrollment changes should not have grave impact on the demand for additional teachers. NCES projections show between 1984 and 1988 that only between three and four percent of the demand for additional teachers will be due to enrollment changes. The bulk of the demand for additional teachers will be due to teacher turnover or because of changes in the pupil-teacher ratio.

Question: Isn't it true that most school districts have found savings from enrollment declines to be quite marginal in practice?

Answer: We do not mean to suggest that school districts can offset entirely the cutback in Federal funds for compensatory education through savings achieved because of enrollment declines. However, we do suggest that in some cases, because of declining enrollments, the closing of unneeded facilities and the need not to hire as many additional teachers provides an avenue for realizing some cost savings that can be applied toward serving the disadvantaged.

STATE AGENY HANDICAPPED PROGRAM

Question: Title I was just reauthorized last year (now called Chapter 1) as part of the budget reconciliation. You are now proposing to change the law to transfer the State Agency Handicapped program to a newly proposed Education for the Handicapped Block Grant. Why are you proposing to transfer this State agency program to a block grant funded at the local, school district level?

Answer: The State agency program for the handicapped has been included in the block grant because it will improve the ability of States to serve their handicapped children by increasing their flexibility in targeting funds to meet State established priorities.

Question: Would Handicapped youngsters in State institutions continue to receive Title I funds under this new arrangement?

Answer: The right of handicapped children to education services will be maintained under the propose handicapped block grant program. How handicapped children in State institutions would be served under the handicapped consolidation proposal would be determined at the State level.

PARENT ADVISORY COUNCILS

Question: How important to the quality of education is parental involvement?

Answer: Recent studeies on parental involvement have been suumarized by the National Commission for Citizens in Education in the publication Parent Participation - Student Achievement, The Evidence Grows. These studies show that in almost any form, parental involvement improves student achievement.

Question: How will recent legislative changes eliminating the authority for Title I Parental Advisory Councils affect the amount of parent involvement in Title I education programs. Will this adversely affect the quality of Title I programs?

Answer: Under Title I, the parent advisory councils (PACs) had responsibility for advising local educational agencies (LEAs) in planning, implementation, and evaluation of Title I programs.

Under Chapter 1, PACs are no longer required. However, Chapter 1 requires that projects be designed and implemented in consultation with the parents and teachers of the children to be served. The Conference Report for the Omnibus Budget Reconciliation Act of 1981 (No. 97-208) states that LEAs may establish advisory councils as a way of meeting this requirement. Parental involvement is considered an important component of Chapter 1 programs and will be encouraged so that the quality of the programs should not be adversely affected. The Department of Education is sponsoring five regional conferences to train State and LEA staffs on effective methods of increasing parental involvement in their compensatory programs.

CHAPTER 1 GUIDELINES

Question: States have complained that the proposed regulations for the Chapter program are long on generalities, and on provisions for audits, but short on specifics to offer guidance to State and localities. Aren't you, in effect, telling States and localities that they should interpret the Chapter 1 legislation themselves, but the Department will be looking over their shoulders to see if they are correct after they have acted?

Answer: The Notice of Propose Rulemaking (NPRM) for Chapter 1 published in the Federal Register on February 12, 1982 contains the statutory requirements that apply to the design and operation of local Chapter 1 projects. In addition to requlations, the Department of Education will provide further non-regulatory guidance designed to assist State and local officials in implementing Chapter 1

Question: Why do you view any sort of concrete or specific regulations as a "burden" rather than a source of guidance and clarification?

Answer: The reason for no specific regulations is not based on the fact that we view regulations as a burden. The Education Consolidation and Improvement Act of 1981 provides that the Secretary shall not issue regulations for States and local educational agencies (LEAs) relating to the details of planning, developing, implementing, and evaluating programs and projects. Chapter 1 was intended to provide more flexibility to the States and LEAs in conducting projects to meet the special educational needs of educationally deprived children.

STATE AGENCY MIGRANT PROGRAM

Question: To what extent are formerly migrant children being served by Title I programs at the expense of currently migrant students with the greater need.

Answer: The Migrant Student Record Transfer System computer run for calender year 1981 indicates that during that year a total of 557,483 children were served by the national migrant program. Of the total 321,435 (56 percent) were currently migratory and 256,048 (44 percent) were formerly migratory. However, because both formerly and currently migratory children aged five through seventeen ears, by statutory requirement, generate funding for the program, formerly migrantory children are not served at the expense of currently migratory children. Moreover, as a matter of policy, program regulations require that State agencies give priority to providing services to currently migrant children.

CHAPTER 1 STATE AGENCY MIGRANT PROGRAM RESCISSION

Question: What is the rationale for your proposed $53 million rescission for this program in fiscal year 1982?

Answer: The overall policy for requesting rescissions for fiscal year 1982 was generated by two factors: First was the need to achieve reductions in Federal expenditures for fiscal year 1982 and beyond. Second, in order to stay within the 1982 budget guidelines set for the Department by the Office of Management and Budget, it was necessary to request rescissions totalling about $1.1 billion in order to offset the proposed supplemtal of almost $1.1 billion necessary for meeting the uncontrollable cost increases associated with the Guaranteed Student Loan program.

The specific rescission requests for Title I (Chapter 1) programs (including the State Agency Migrant program) were part of that general policy. In making the choices on where to cut the budget, we have attempted to spread the burden as fairly as possible among various beneficiaries of our programs while still reflecting priority areas.

CHAPTER 1 STUDIES AND EVALUATIONS

Question: How much funding under Title I evaluations and studies will be used for Federally-administered evaluations as opposed to those conducted by the States with the aid of technical assistance centers?

Answer: Of the $4,746,000 requested for fiscal year 1983 for Chapter 1 Evaluations and Studies, approximately $4,461,000 will support ten regional technical assistance centers. These centers will assist local officials in collecting and reporting evaluation data and using evaluation results to improve their compensatory education programs. The remaining $285,000 will be used for Federally Administered Chapter 1 evaluations.

CHAPTER 1 ALLOCATIONS

Question: Is it true that the fiscal year 1983 Chapter 1 allocations will not be made according to legislated formula, but by simply reducing amounts received based on the fiscal year 1981 level?

Answer: To carry out the budget policy established for fiscal year 1983, special appropriations language has been proposed to override the "hold harmless" provisions associated with the statutory formuls for allocating funds for the State agency programs and Grants to LEAs. The proposed reduction in budget authority from 1982 to 1983 will be reflected in proportional reductions in the allocations to each State agency, LEA, Outlying Area, and BIA (for Indian children). This ratable reduction will be based upon the amount allocated to each such entity in 1982 as a result of the final appropriation for that year. The proposed languaged will have the effect of insuring that each State, LEA, Outlying area, and BIA will maintain its position relative to the others in terms of the amount of Chapter 1 funds received.

CONCENTRATION GRANTS

Question: The fiscal year 1981 appropriation included funds for a program known as "Concentration Grants," which the Congress eliminated for fiscal year 1982. Will funds for Concentration Grants be provided in the Fiscal Year 1982 State allocations?

Answer: Since no funds are provided for Concentration Grants under either the Continuing Resolution for 1982 or the President's 1982 Revised Request (based on the results of the proposed rescission), the Department would not allocate any funds to States for Concentration Grants.

TITLE I, STATE ADMINISTRATION

Question: What is the total Federal, State, and local cost of administering Title I programs?

Answer: Currently, it is estimated that the total Federal, State, and local cost of administering the Title I programs is approximately $160,000,000

Question: What portion of Title I allocation does this represent?

Answer: This is about five percent of the total appropriation. Of this amount, one percent is attributable to the State education agencies' (SEAs') administrative costs; local education agencies (LEAs) spend about four percent of their allocation for administration. The Federal cost of administering the Title I program is approximately .1 percent of the Title I appropriation and is paid from the Department of Education's adminstrative funds.

Question: How will this change when the amendments under the Education Consolidation and Improvement Act are implemented, beginning July 1, 1981?

Answer: The staff in the Department of Education has been reduced because the Federal role will be directed more to providing leadership and technical assistance rather than monitoring for compliance. The SEAs' administrative costs are not likely to change, since the Chapter 1 statute provides that the amount SEAs may receive for administration may not be more than one percent of the amount appropriated for the programs in their respective States or a minimum of $225,000. The LEAs' administrative costs as a percentage of their total expenditures are expected to remain at current Title I levels since Chapter 1 has project design requirements that are basically the same but somewhat more flexible than those in Title I.

MIGRANT EDUCATION

Question: What is the estimated fiscal year 1982 per pupil expenditure under the College Assistance Migrant program, and how many migrant students are directly benefitting from this expenditure?

Answer: In fiscal year 1982 the College Assistance Migrant program expects to serve approximately 638 students at four postsecondary institutions. The average per student cost to the Federal Government will be about $1,670.

Question: What is the nature of the educational services purchased under the College Assistance Migrant program?

Answer: Postsecondary institutions that participate in the College Assistance Migrant program (CAMP) assist migrant and seasonal farmworkers enrolled as first year undergraduates to make the transition from secondary to postsecndary eduction and to complete their first year of college successfully. Graduates of the High School Equivalency program and eligible graduates of other high school equivalency programs may participate in CAMP. Participants receive tuition scholarships and a stipend for personal expenses. The program also provides tutoring and counseling services and assists students in obtaining grants, loans, and work study arrangements to cover the full cost of the remaining three undergraduate years.

Question: What proportion of College Assistance Migrant program students go on to receive either a two-year or four-year college degree, and how does this completion rate compare with that for migrant college students who do not participate in this program?

Answer: No data exists on how many CAMP participants receive either two-year or four-year college degrees. However, based on data from a program evaluation done in 1979, approximately 85 percent of CAMP participants completed their first year of college. In addition, the grade-point averages of CAMP participants in their first year were higher than the average for their class as a whole.

Question: What is the nature of the education services purchased under the High School Equivalency program?

Answer: Colleges and universities participating in the High School Equivalency program (HEP) provide the outreach, teaching, counseling, and placement services necessary to recruit and serve eligible migrant dropouts, aged 17-24, who wish to obtain a high school equivalency certificated and subsequent placement in a college or university, enter a job-training program, join the military, or seek full-time employment. Participants receive room and board and a stipend for personal expenses. They live on a college or university campus and can use the institution's facilities. They attend at least 30 hours of class a week in the subjects covered by the General Education Development examination and receive additional tutoring if necessary. The institutions also provides career and personal counseling, as well as placement assistance.

CHAPTER 1 PROGRAMS

Question: There is growing evidence that the effectiveness of schools serving disadvantaged pupils is influenced more by strong leadership by teachers, heavy focus on basic skills achievement, and a high level of parental involvement -- among others -- rather than by the number or resources available to schools, If this is true, why should Chapter 1 continue to be funded?

Answer: There is little question that strong leadership by teachers, a high degree of parental involvement, and emphasis on teaching basic skills are all essential elements in running a successful education program. The Administration will continue to support funding for Chapter 1 because it contains all of these elements for success. Evaluation data have shown the program to be effective both in terms of reaching those who are most in need of compenstatory education services and in raising the achievement level in mathematics and reading of those students who participate.

Question: Might it not be more cost-efficient to develop more effective educational techniques which can be replicated, rather than continuing to support the present ineffective system?

Answer: One of the most important functions that the Department of Education has carried out has been that of identifying, validating, and disseminating information on effective educational approaches through the Joint Dissemination Review Panel and the National Diffusion Network. The proposed Foundation for Education Assistance would continue to carry out this important work.

Part of the rationale for reducing the Chapter 1 budget request for fiscal years 1982 and 1983 rested on the fact that school districts have developed low cost approaches to providing compensatory education services which work with Chapter 1 (Title I) funds. Chapter 1 (Title I) has been in existence for over 15 years. Because the Department is no longer in the position of needing to develop approaches for providing effective compensatory education services, it can begin implementing or least making available to school districts proven approaches that are cost-effective. We believe that financially hard pressed school districts can operate successful Chapter 1 programs with less money by looking at a number of exemplary projects (a number of such projects have been identified and described earlier in another series of questions and answers) and adapting many of the approaches that have proven to be both effective and less expensive.

SPECIAL PROGRAMS AND POPULATIONS

STATEMENT OF MONIKA EDWARDS HARRISON, ACTING ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

SHIRLEY A. JACKSON, DIRECTOR, STATE AND LOCAL EDUCATION PROGRAMS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

DONALD J. SENESE, ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

GARY L. JONES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION

SUBCOMMITTEE PROCEDURE

Senator STEVENS [presiding]. I apologize for the delay. I had some conflicting appointments.

We are now going to turn to the discussion of special programs and populations.

Ms. Harrison? Who is with you on the panel?

INTRODUCTION OF ASSOCIATES

Ms. HARRISON. I have to my right, Shirley Jackson, who is Director of State and Local Education Programs; to my left, Dr. Gary Jones, Deputy Under Secretary for Planning, Budget, and Evaluation; and Dr. Donald Senese will be joining us to my far right. He is the Assistant Secretary for Educational Research and Improvement.

Senator STEVENS. Would you please summarize your statement and we will proceed with the questions.

Ms. HARRISON. Be glad to.

First of all we appreciate this opportunity to appear before your committee to discuss this appropriation. We are requesting $433 million in fiscal year 1983 for block grants for improving school programs. This is a reduction of $38.2 million below the 1982 revised request.

Of the total, we are requesting $406,080,000 for State block grants and $26,920,000 for special purpose funds.

In addition to our 1983 request, we have requested a 1982 rescission totaling some $65.6 million.

As you know, the Education Consolidation and Improvement Act consolidates some 42 Federal programs for elementary and secondary education into the block grants for improving school programs. We are requesting a total of $406 million for block grants.

We are proposing a reduction in 1983, but we would point out that because we consider this program a very high priority, our reduction is only 8 percent below the 1982 level. This is considerably less of a reduction than we are requesting for many other programs.

For special purpose funds, we are requesting $26.9 million. The special purpose funds provide support for three mandated programs as well as for a number of initiatives including the national diffusion network and educational television and technology.

In order to have sufficient funds for priority areas, we are requesting a reduction in the three mandated programs of about 8 percent from the 1982 level.

We are requesting a rescission for all those programs which had initially been proposed for inclusion in the block grant.

Under evaluation and studies we are requesting $1 million. This would be used primarily to assess the impact and the implementation of block grants.

We would be happy to answer any questions you might have.

PREPARED STATEMENT

Senator STEVENS. Your complete statement will be included in the record.

[The statement follows:]

STATEMENT OF MONIKA EDWARDS HARRISON

We appreciate this opportunity to appear before you to discuss the appropriation for Special Programs and Populations. We are requesting $433 million in fiscal year 1983 for Block Grants for Improving School Programs, a reduction of $38,280,000 below the 1982 revised request. The total request includes $406,080,000 for State Block Grants and $26,920,000 for Special Purpose Funds. In 1982, a rescission of $65,600,000 is requested for the categorical programs not included in the block grant. The entire Special Programs and Populations appropriation wil be part of the Foundation for Education Assistance.

Block Grants for Improving School Programs

A major legislative achievement for the President and the Congress in 1981 was the consolidation of forty-two Federal programs for elementary and secondary education into a block grant to States. This legislation represented a historical shift in Federal/State relations in the area of education. The block grant returned to State and local governments control over resources for numerous educational activities, and it enabled States to focus on general excellence in education rather than narrow categorical activities to which the Federal Government always attached burdensome restrictions.

State Block Grants

State and local educational agencies may use block grant funds for basic skills development, education improvement and support services, and special projects. Of the total funds allotted to each State, the State may reserve up to 20 percent for State use, and the remaining funds are distributed to local educational agencies. It is likely that almost all local school districts and the majority of private nonprofit schools will participate in block grant funding or services.

For State block grants, $406,080,000 is requested, $36,096,000 below the 1982 estimate. Many Federal education programs have been reduced in 1983 because of the need to continue efforts to reduce government spending and assist in economic recovery. However, the block grant has been decreased only about eight percent from 1982, less than many other Federal education programs, because of its high priority.

Special Purpose Funds

The block grant authority provides for a limited set-aside of discretionary funds to be used by the Secretary to support Federal-level activities that assist State and local educational agencies in improving elementary and secondary school programs. Authorized activities include gathering and disseminating information on program effectiveness, assessing the needs of children served, research and demonstration, educational personnel training, and assistance to States in program implementation.

In fiscal year 1983, our request of $26,920,000 provides support for three mandated programs, for discretionary projects including the National Diffusion Network and the Educational Television and Technology program, and for Evaluation and Studies.

In light of the limited funds available under this authority, and the need for sufficient funds for high priority areas that serve a major Federal role, the three mandated programs have been reduced proportionally from 1982 by about eight percent.

Inexpensive Book Distribution

For the Inexpensive Book Distribution, $5,372,000 is requested, a slight decrease below the 1982 level of $5,850,000. One award will be made to Reading is Fundamental, Inc. (RIF), which in turn distributes funds to 38,000 local groups such as Parent Teacher Associations, Boy and Girl Scout Clubs, and local community associations which have documented their ability to organize and administer a book distribution program. At the requested level of funding, about 3.3 million books will be distributed to about 1.5 million children and more than 50,000 volunteers will participate in book distribution.

Arts in Education

For Arts in Education, $1,860,000 is requested, about an eight percent decrease from 1982. This request will continue support for the National Committee on Arts for the Handicapped and the John F. Kennedy Center for the Performing Arts.

Alcohol and Drug Abuse Education

The fiscal year 1983 request for Alcohol and Drug Abuse Education is $2,617,000, a decrease of about eight percent below the 1982 level. These funds will continue the national training system of five regional training resource centers, a national data base and program support project, and an assessment of the effectiveness of program activities.

Discretionary Projects

Discretionary projects supported under the Special Purpose Funds activity provide limited but essential support for activities at the elementary and secondary education level that address national, rather than State or local concerns. Two major activities supported are the National Diffusion Network and Educational Television and Technology, for a total request of $16,071,000.

Approximately $9,000,000 of discretionary funds will be used to maintain activities carried out as part of the National Diffusion Network. Program priorities for NDN will continue to focus on the instructional needs of students showing low academic performance. New projects will give emphasis to materials and teaching strategies for raising levels of academic achievement, particularly among secondary school students.

Approximately $7,000,000 will be used to sustain our effort in developing and applying television and other electronic technologies for education. These funds will be used to continue the production of two television program series for both broadcast and nonbroadcast use. Also in 1983, we will support development of applications of microcomputers and other new technologies to improve teaching and learning, particularly in the area of basic skills.

Evaluation and Studies

In order to provide information on the implementation and effects of the new block grant, $1,000,000 is requested for evaluation and studies. This information will be used by Federal administrators, Congress, and State and local officials.

Fiscal Year 1982 Rescissions

A rescission of $65,600,000 provided under the Continuing Resolution in 1982 is requested for Women's Educational Equity, Follow Through, Training and Advisory Services, Territorial Assistance, Ellender Fellowships, Career Education, Law-related Education, and Biomedical Sciences. This action is taken to reduce Government spending and aid economic recovery.

However, we also propose this rescission because these are categorical programs that promote special concerns rather than providing flexible aid that gives control over priorities to States and school districts. The goals of these programs may be supported by States and school districts with their block grant funds, if the activities meet local priorities.

We are prepared to answer your questions.

PROGRAM REDUCTIONS

Senator STEVENS. You have got a decrease in the inexpensive book distribution request.

Ms. HARRISON. Yes.

Senator STEVENS. Decrease in the alcohol and drug abuse education program. Any other decreases in your statement here?

Ms. HARRISON. We are proposing a decrease in the three mandated programs in order to allow support for other high-priority activities. We have proposed point-of-order language to accomplish that.

Senator STEVENS. It says investigation for reducing Virgin Islands general assistance programs.

Ms. HARRISON. We believe that the activities that are conducted under that program could be conducted with the block-grant money. A reduction is proposed because this is a very narrow categorical program and should not receive separate funding.

Senator STEVENS. Well how much money does the Virgin Islands get under the block-grant program?

Ms. HARRISON. Under Chapter 2 of the Education Consolidation and Improvement Act all of the territories are entitled to an amount not to exceed 1 percent of the block-grant funds. The Virgin Islands could participate in that block grant and we are estimating that—in fiscal year 1982 under the continuing resolution—they would receive $1.3 million, and under the President's fiscal year 1983 budget, they would receive $1.2 million.

Senator STEVENS. They got $2.7 million in addition to that in fiscal 1981?

Ms. HARRISON. Yes.

Senator STEVENS. And $1.92 million in 1982?

Ms. HARRISON. Yes.

Senator STEVENS. So it's really a total elimination of their funding for 1983, and you are suggesting a rescission on the $1.92 million for 1982.

Ms. HARRISON. We are proposing a rescission in the categorical program that is not a part of the block-grant money they would receive.

Senator STEVENS. How long has that general assistance program in the Virgin Islands been in effect?

Ms. HARRISON. I'm sorry, I don't know the answer to that. I believe for 3 years.

IMPLEMENTATION OF BLOCK GRANTS

Senator STEVENS. What have you done to help the States and localities use and implement their block grants?

Ms. HARRISON. The States have not yet received any money under the block grants. They will be receiving their first payment beginning July 1, 1982, in accordance with the legislation.

In terms of assisting them in implementing the block grants and moving away from individual categorical programs, we have sponsored eight regional briefings for State education personnel, Governors' staff, and other educational personnel, in which the block-grant concept was explained and how it would work.

In addition, the Department held a similar series of meetings in which we met with persons directly involved in education, including chief State school officers, superintendents, and administrators. We explained to them that the underlying philosophy of the block-grant program was that they made decisions at the State and local level about how to use their funds. We have also a staff in the Department, which is working with implementation of block grants. We are available for technical assistance if the States request it.

We have now promulgated a draft set of regulations for block grants which the States are commenting on. Also, we are doing a set of questions and answers which are nonbinding guidance to help States move from the categorical program to the block-grant concept.

We have had ongoing consultation with them and we are now planning a conference for the end of the month to explain the provisions in the draft regulations and to get their thoughts on problems that they are likely to encounter.

We are now receiving some informal State applications which we are reviewing, as well as their formula to account for high-cost children.

ROLE OF GOVERNORS AND STATE AGENCIES

Senator STEVENS. What role do you envision for the State education agencies, Governor and State legislature for the block-grant funds?

Ms. HARRISON. There are a number of roles. For example, in the case of the Governor, the primary role which is set out in the statute is that the Governor will appoint an advisory committee to advise the State education agency, on the use of the funds retained at the State level and on the application formula to be used for allocating the dollars to locals.

The State education agency has a role in determining how to allocate an amount up to 20 percent of the State's total for planning, developing, support, implementation, and evaluation of State programs assisted under block grants.

For local education agencies, the statute is very clear in that neither the State education agency nor another State entity can infringe in any way upon their decisionmaking authority on how to use their local funds.

The State educational agency shall distribute to the locals not less than 80 percent of the money that goes into the State. The State may reserve not more than 20 percent of the State's allotment. The Governor is involved in the appointment of the advisory committee to advise the State education agency. Obviously those roles are just now being worked out and there is in some States the involvement of the State legislatures.

REDUCTIONS PROPOSED FOR BLOCK GRANTS

Senator STEVENS. Did I understand in your statement that you are actually proposing to reduce the moneys that go into the block grant for 1982?

Ms. HARRISON. Yes, we are. We are proposing an 8-percent reduction from the 1982 continuing resolution for 1983.

Senator STEVENS. That is before the program has actually taken effect?

Ms. HARRISON. We are doing that in order to aid the economic recovery and reduce the inflation that we are confronted with. As we stated earlier, we know it is a reduction but it is much less than many other Federal programs. So we do consider it an administration priority.

I should tell you that the reduction on a per State basis——

SPECIAL PURPOSE FUNDS

Senator STEVENS. Did you reduce the Secretary's set-aside?

Ms. HARRISON. Yes. The Secretary's set-aside cannot be more than 6 percent of the total, so one would automatically reduce the amount set aside for the Secretary at the same time you reduced the total.

I should point out that between fiscal years 1982 and 1983, the effect of our reduction, if you are looking at an individual school district, would be about $2,200.

Senator STEVENS. What about the $17.5 million to be used for the Secretary's discretionary account; has that been reduced?

Ms. HARRISON. In 1982 we are projecting a full 6 percent of the Secretary's—of the total for the Secretary's discretionary account. We are projecting the full 6 percent in fiscal year 1983. However, you must remember that we have to conduct three programs off the top in accordance with the statute, reading is fundamental, alcohol and drug abuse, arts in education. So, there is not a full 6 percent that is available for our "discretionary activity."

Senator STEVENS. What do you project will be available under that Secretary's discretionary set-aside?

Ms. HARRISON. Well, we are projecting a total of approximately $26 million in fiscal year 1983. But you must take off the top of that funding for those three mandated programs.

Senator STEVENS. But you have reduced those by 8 percent.

Ms. HARRISON. We have reduced those by 8 percent in fiscal year 1983 in order to allow support for the national diffusion network and educational television and technology. That was a decision that we felt was fully justified in terms of equity. We have reduced the overall block grant by 8 percent, and have proposed point-of-order language to reduce the mandated programs by 8 percent.

SECRETARY'S DISCRETIONARY FUND

Senator STEVENS. Does the Secretary's fund survive—I'm curious, how much does he have control of?

Ms. HARRISON. OK, I'll discuss fiscal year 1982 and then fiscal year 1983.

In fiscal year 1982, under the continuing resolution—and we are not proposing any rescissions in this—you have $28,224,000 in the Secretary's discretionary fund.

We must take off the top $5.85 million for inexpensive book distribution, $2.02 million for arts in education, and $2.85 million for alcohol and drug abuse education. That leaves us with $17.5 million, as you pointed out, of which we are spending $10.3 million for national diffusion network which is an ongoing activity and $6.7 million for educational television and technology.

There is only available in a truly discretionary sense, some $500,000.

In fiscal year 1983, there is available in a truly discretionary sense, some $1 million.

Senator STEVENS. How does this increase when everything else decreases?

Ms. HARRISON. I'm sorry.

Senator STEVENS. How does this discretionary fund increase, when everything else is decreasing?

Ms. HARRISON. First of all, I've just been told that I made an error. There is $100,000, not $1 million, so it decreases.

REJECTION OF STATE APPLICATIONS

Senator STEVENS. All right. Is there any way you can reject a State or local government's plan for use of block-grant funds?

Ms. HARRISON. The legislation is very clear in that the Department reviews the application of a State for completeness and for filing of assurances. We could not say to a State, "No, we think you ought to use your money for one activity rather than the one you are proposing."

In the area of the local education agency, we do not review what the local education agency is proposing to do. Rather the State educational agency reviews them.

The one thing that the Department does have the right to approve is the formula used to account for high-cost children. If a State comes to us and either does not have criteria for high-cost children, or they do not appear to be reasonably calculated to produce an equitable distribution, we could reject that criteria.

PROPOSED FISCAL YEAR 1982 RESCISSIONS

Senator STEVENS. Now the State legislatures, most of them are in session now, but are almost finished. Before they even get this bill, they will have finished. Yet you have got 72 rescissions pending for fiscal year 1982. What are you going to do with the States that have already acted on the basis of the continuing resolution and made funds available to local governments on the basis that they are going to receive them?

Ms. HARRISON. In terms of the proposed fiscal year 1982 rescissions, those programs with the exception of the career education program are discretionary programs. This means organizations—be they local education agencies, or States, or nonprofit organizations, apply every year. They, in effect, took their chances on making it through the competition process. So, for a State legislature to have planned on these funds would have been questionable in the first place.

REDUCTION IN AID TO THE VIRGIN ISLANDS

Senator STEVENS. Is that so about the Virgin Islands program, couldn't they rely on that for 2, 3 years?

Ms. HARRISON. They had no reason to think that there may be an appropriation, because we proposed from the beginning of the block-grant concept, that it be a part of the consolidation. So this is not a new notion.

Senator STEVENS. That was rejected by Congress.

Ms. HARRISON. Yes, it was. The inclusion of that particular authority was rejected by Congress.

ELIMINATION OF CATEGORICAL FUNDING

Senator STEVENS. You have got programs such as Follow Through, civil rights training and advisory services, biomedical sciences, women's educational equity, aid to the Virgin Islands, and law related education. What are you going to do with those programs?

Ms. HARRISON. All of those activities which are currently being conducted under those separate categorical programs can be conducted under the block grant. We are saying that if local school districts consider these a priority, that they should use a portion of the block-grant funds to continue these activities.

Senator STEVENS. Will they have the money under the block grants? The Virgin Islands has less money now than it is losing under this special program. Are the others in similar circumstances?

Ms. HARRISON. The amounts of money that a State receives under a block grant, and their relative position prior to the block grant varies. For example, if the local school district was very active in pursuing Federal funds, and they were successful in the competition, or was a big emergency school aid district, it may lose some money under the block grant. However, for a lot of school districts which never applied for any Federal funds, or which applied but because of their size were not successful, they will be winners in a block grant and they will get more money than they have ever gotten.

Indeed, many of the 16,000 school districts will get Federal moneys for the first time.

IMPACT OF RESCISSION

Senator STEVENS. I'm greatly concerned with the 1982 rescission concept. It seems to me that they have been led to believe they had money for 1982, and now you come and say there is no money for 1982, tell them that they have got to use their block grant money for 1982.

Another thing, to change the rules two-thirds of the way through the fiscal year—we won't get this bill passed if we get it passed at all until the end of the third quarter of the year—is unfair to those school districts expecting Federal support.

Ms. HARRISON. I understand your concern. I can only respond that this is consistent with our position in September 1981 relating to these programs. In fact, if you look at a program like the Follow Through program, that program has been proposed for phaseout and abolishment by successive administrations. Those grantees are well aware of the fact that there has never been any guarantee of the money.

Senator STEVENS. But successive Congresses have disagreed. So it looks like what you are telling us that this year you are not going to spend the money in spite of the action of Congress last year. The President signed that bill last year.

Ms. HARRISON. That's why we are proposing a rescission in that program to request again that those dollars be folded into a block grant.

Mr. JONES. Senator, if I may, the basic State block-grant program is not being rescinded. The programs that are being rescinded are those that are not specifically authorized by the block-grant program.

Senator STEVENS. Well, the things you are asking to rescind are the things we disagreed with you on last year. Let's face it, you are just saying that you are going to come back to us again and again and again until we agree with you. Isn't that what you are really saying?

Mr. JONES. I'm not disagreeing with that. I just want to make it clear to you, in your comment about State legislatures going out of session, and the rescissions are only in some programs but not in the State block program in general.

Senator STEVENS. I'm concerned mostly about rescissions. How much are we rescinding in these proposals? What is the total rescissions for the Department of Education?

Ms. HARRISON. We are rescinding $65.6 million in this account, special programs and populations.

Senator STEVENS. Am I correct that they are basically the ones that Congress disagreed with you on last year?

Ms. HARRISON. They are programs that we proposed for inclusion in the block grants that were either not included, or for which the authority was not included. For example, in the case of Follow Through, it was to be a phased inclusion.

Senator STEVENS. The whole Department is going to rescind $1.1 billion, I understand.

Mr. JONES. That's correct. That's not the net figure.

Senator STEVENS. Is this money covered by the continuing resolution?

Ms. HARRISON. Yes, from the fiscal year 1982 moneys. The point from which we are proposing to rescind are those contained in the current continuing resolution.

Senator STEVENS. I think the Department is just buying itself a fight. It would be much easier for those of us who might want to agree with the Department in part, to do it if you had a prospective action. I don't know why you want to go back and fight 1982 before we even look at the 1983 budget.

I just came from a meeting on a continuing resolution, what we are going to do to it. It appears to us that your Department is just going to have a continuing resolution again for 1983, as a matter of fact. And this is one of the reasons. You have just aggravated so many people out there with these little accounts, that you can't get any agreement.

Ms. HARRISON. That's precisely the point we really want to make. These are little accounts which benefit very few grantees. And in terms of equity, they are not equitable. There are, in many instances, other eligible applicants who have not been served.

In Follow Through, for example, we have been serving precisely the same districts for 6, 7, or 8 years, and that is another reason we are proposing rescissions in these programs.

Mr. JONES. Senator, if I may——

CONGRESSIONAL-EXECUTIVE BRANCH DISAGREEMENT

Senator STEVENS. We are telling you that in the future you can probably sell that. But if you keep aggravating over these matters, these State legislatures have already set their budgets, someone is going to have to tell them "You are not going to get the money you got last year because the administration set up a rescission in spite of what Congress told you last year, that you could count on the money being here this year. You can't count on it because the rescission is going to hold up the money." And we are going to act on refusing to go along with the rescission after they have already closed down.

So, there is a de facto breaking of a commitment as far as the Government is concerned to those people, because you are putting us in a position of fighting the fiscal year 1982 battle again, the battle that you lost last year.

Mr. JONES. Senator, we realize it is an unpleasant situation. If I may underscore only one point. In order to stay within our budget mark, we needed to stay with the President's original budget request because of the nearly $1 billion supplemental request for the guaranteed student loan. So, if you subtract the supplemental from the rescissions——

Senator STEVENS. What you are saying is that—that's an entitlement program. That was also discussed at the meeting I just left.

What you are saying is that you are going to take the increasing entitlements out of the discretionary funding, which you can't. You people are not reading Congress correctly if you think you are going to get away with this. You will cause more problems than you solve.

Mr. JONES. I am simply indicating what we need to do to stay within our budget mark. Because the entitlement program is growing the way it is, we have to ask for $1 billion supplemental, and we need to find rescissions.

Senator STEVENS. Where is the equity in that? Some college students are going to have 100 percent of their entitlement met, but all of these smaller programs that affect areas throughout the country are going to be eliminated in order to meet that entitlement need.

Mr. JONES. We have seen that very problem, Senator.

That's why we are addressing the guaranteed student loan program among other student financial aid programs in the 1983 budget proposal.

Senator STEVENS. I wish you would face fiscal 1983 and let 1982 take care of itself, because if you don't we are not ever going to get to fiscal 1983. As a matter of fact, the whole process of these rescissions make us go back and fight the 1982 battle all over again.

When we look at it from the point of view of leadership up here, the question is, "How can we ever get to next year's problems if you continue to make us fight last year's problems all over again?"

I wish you would take that recommendation back to the Secretary to try to see how we can get through the next step of the arena without going back to fight that battle over again from last year. It's an unfortunate thing.

And the only thing I can say is, you are probably going to have another continuing resolution, which has a worse impact on the programs than anything I know of, and is totally inequitable.

Let us turn to the bilingual education program.

Senator Specter, are you here for that? Would you care to ask any questions?

Senator SPECTER. I am not here for that program. I am interested in asking questions, but I shall forego that. I came to what has been scheduled for 3:30 on the National Institute of Education and the Fund for Improvement of Post-Secondary Education and Education Statistics.

But, since I find you here, Senator Stevens——

Senator STEVENS. We were late because of my conflict in committees.

Senator SPECTER. Fine, I will reschedule my hearing.

SUBMITTED QUESTIONS

Senator STEVENS. We are going to go ahead with Bilingual Education on the program. And because of the delay, I wanted to announce we are not going to hear NIE or Fund Improvement for both Secondary Education or Education Statistics this afternoon. They will both be rescheduled.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TRANSITION TO BLOCK GRANT

Senator Hatfield: Given the establishment of the new Education Consolidation and Improvement Act, are there any transition funding problems?

Answer: The major transition problem occurs in districts which received large discretionary grants in 1981 that were not proportional to their school population. Since the block grant is distributed to local educational agencies based on school enrollment, with some adjustment for higher cost children, a district could receive significantly less than in prior years. Of course, there will be some districts which receive larger grants than in prior years as well.

The major program providing large discretionary grants to school districts was Emergency School Aid Act basic grants. The formula-based allocation of funds to school districts under the Chapter 2 block grant will not provide, in some cases, comparable concentration of funds. This depends partly on how the States allocate the funds, since children affected by desegregation court orders could be given extra weight in allocation formulas as higher cost children.

CITIES IN SCHOOLS

Senator Hatfield: Is it accurate that the Cities in Schools program, which is not forward funded and is in the Education Consolidation and Improvement Act, is caught in transition funding problems?

Answer: The Cities in Schools program was started in 1978. Federal funding was intended to provide start-up and seed money to enable the establishment and demonstration of a special approach to coordination of social services for high school students. In addition to Federal support, private organizations and local school districts provided support, in an excellent example of cooperation for the benefit of the schools. Approximately 26 percent of funding and support was provided by the private sector, and substantial though not documented support was provided by school districts.

The fourth and last year of Federal funding was fiscal year 1981. Since the beginning of fiscal year 1982, the projects have been operating totally on local and private support, and we expect most of them to continue to do so until block grant funds are available in July 1982, and State and local school districts decide to support these activities or they obtain other sources of funding.

Senator Hatfield: Would you agree that some transition funding be provided for the Cities in Schols program?

Answer: Federal funding for Cities in Schools was intended to provide support for start-up and demonstration efforts, not ongoing support for activities that cannot obtain continuing local support. We believe that districts where the Cities in Schools program has been successful will make efforts to continue the projects, using both the private support already successfully obtained by these projects and local district aid. Block grant funding will be available for use in July 1982; however, the Cities in Schools project will have to compete against other programs which received Federal support and must be able to document the extent to which they meet local needs.

USE OF BLOCK GRANT FUNDS BY SCHOOL DISTRICTS

Question: Eighty percent of the block grant funds are to be allocated to local education agencies. What priorities are being established by local educational agencies for use of these funds?

Answer: Local educational agencies may set their own priorities for the use of block grant funds but must inform the State agency of their planned distribution of funds among the activities authorized in Chapter 2. This information is not included in State plans to the Department, so we will not have this information from State plans. However, we will address this question in our proposed evaluation of the block grant. Support for this evaluation is requested in 1983 under the Special Purpose Funds.

Question: To what extent are school districts continuing previous years' programs which were categorical?

Answer: This information is only in school district plans submitted to the State agency, and we will not have this information in State plans sent to the Department. However, we will address this question in our proposed evaluation of the block grant.

Question: To what extent have new priorities been established?

Answer: This information is not included in State plans to the Department, so we will not have this information from State plans. However, we will address this question in our proposed evaluation of the block grants.

URBAN AND RURAL ALLOCATIONS

Question: Will urban areas tend to receive more or less funding under the block grant than they received for the total of the antecedent programs in the previous year? What about rural areas?

Answer: This information is not available, since State education agencies are just beginning to submit their proposed formulas for the distribution of funds to local educational agencies. Until the approval process has been completed for all States, we will not know the amount of funds assigned to rural or urban areas.

This is also a question we will address in our proposed evaluation study.

SECRETARY'S DISCRETIONARY FUND

Question: In establishing the block grant, the Congress provided a six percent set-aside for the Secretary's Discretionary Fund. After funding the three legislatively established priorities, 1) the Inexpensive Book Distribution Program, 2) Arts in Education and 3) Alcohol and Drug Abuse Education, the Secretary may use remaining discretionary funds for any of his own priority areas. Roughly $17.5 million would remain for the Secretary's discretionary projects. How will the Secretary use the $17.5 million in his discretionary fund?

Answer: The Secretary's Discretionary Fund provides limited resources for activities that address national priorities rather than State or local concerns. In fiscal year 1982 most of the funds will support continuation of existing program activities in the National Diffusion Program and in Educational Television and Technology with minimum resources for new initiatives.

Question: Please provide for the record a detailed breakdown of the Secretary's Discretionary Fund.

Answer: Our preliminary plans at the 1982 level of $17.5 million are to provide about $10.3 million to the National Diffusion Program, $ 6.7 million for Educational Television and Technology, and $500,000 for other initiatives, including the Secretary's Commission on Excellence in Education. The final distribution of the funds may be slightly different depending on the Secretary's priorities.

USE OF BLOCK GRANT FUNDS FOR AUTHORIZED ACTIVITIES

Question: What assurances does the Department have that block grant funds will be used for legislatively authorized activities?

Answer: The Education Consolidation and Improvement Act requires that both State and local education agencies provide assurances in their respective applications that will comply with the provisions of Chapter 2, and will keep such records as may be required for financial and compliance audits. Also, State education agencies are required to conduct financial and compliance audits of Chapter 2 funds every two years.

REPORTING REQUIREMENTS

Question: What types of reports will the Department require of the States before subsequent year allocations can be made?

Answer: A State application is the only report which the statute requires a State to submit to the Secretary. The Department will not require any other reports from the States before subsequent year allocations can be made.

PRIVATE SCHOOL PARTICIPATION

Question: To what extent do private schools participate in block grant activities?

Answer: Private school children participate in block grant services on an equitable basis with public school children. They are included in the number of children counted for purposes of determining allocation of block grant funds by the State to the school district, and must receive services, materials, and equipment or other benefits to ensure equitable participation. Equitable participation can be equal funding, services on a equitable basis, same services, or different services if the needs are different. The State must make special arrangements to provide funds to private schools in districts which do not choose to apply for block grant funds.

Since the block grant has not yet been implemented, we do not have information on actual private school participation. States are required to include in their State plans the planned allocation to private schools of the State's share of the block grant funds but not for the local districts' share. Local districts include information on the number of private school students in their plans submitted to the State, but this information is not required to be provided to the Department. We plan to investigate the extent of private school participation in the proposed evaluation study, to be funded under Special Purpose Funds.

However, based on review of programs similar to the block grant -- in particular Title IV-B, School Libraries and Instructional Resources -- we believe that there will be a high rate of participation and that this will not involve a large proportion of block grant funds. Title IV-B had the highest private school participation rate of any Department program, and its requirements for participation and its formula for funds distribution were the same as the block grant.

Under Title IV-B, about 8 percent of total funds available were used for services to private schools, and about 86 percent of private schools participated. It is not likely that participation under the block grant will be much higher than Title IV-B. It should be noted that adjustments for higher cost children under the block grant could be much greater than those under Title IV-B, and could reduce the funds provided to private schools, although not the extent of their participation.

NATIONAL COMMISSION ON EXCELLENCE IN EDUCATION

Question: What is the purpose of the Secretary's Commission on Excellence?

Answer: Secretary of Education Terrel H. Bell announced the creation of the National Commission on Excellence in Education in August 1981. He established the Commission to provide leadership, constructive criticism, and effective assistance to schools and universities.

Today education is experiencing a period of profound change. Over seventy percent of the households in the United States have no school age children. Many members of the public are reluctant to support schools because they feel that the quality of schools is declining. The general disillusionment in education is exemplified by declining test scores, particularly in the middle and secondary school years, problems with the quality of those entering teaching and the general status of the profession, and finally, some dissatisfaction with the conditions of schooling including grade inflation, dropout rates, and even violence and vandalism.

The Secretary of Education established this Commission to help restore confidence in America's schools and colleges. The Commission members will gather data and elicit public opinions and advice in order to draw conclusions on how to enhance excellence in our schools. By identifying how schools can do a more effective and competent job of teaching students, the Commission hopes that a renewed spirit of optimism and commitment to the schools will be engendered in the public.

The Commission's final report will be phrased so as to present practical recommendations for action to be taken by educators, public officials, governing boards, parents, and others having a vital interest in American education and a capacity to influence it for the better.

Question: How much will be spent on the National Commission on Excellence in Education during fiscal year 1982 from all sources in the Department?

Answer: Funds set aside for the National Commission on Excellence in Education during fiscal year 1982 total $560,000. Of this total, $300,000 is allocated from the Secretary's Discretionary Fund for such research papers and analytic reports. The remainder, $260,000, is set aside from existing salaries and expenses monics to support administrative expenses associated with the Commission, including travel, honoraria, consultants, printing, and mail.

Rather than hire new staff to support the 18 member Commission, the Department is relying on its current staff to carry out the necessary activities. The full-time equivalent of 12 staff are currently on loan to support the work of this commission. Associated salaries and benefits for these inhouse resources in fiscal year 1982 total approximately $420,000.

CIVIL RIGHTS TECHNICAL ASSISTANCE

Question: The budget proposes to eliminate funding for Civil Rights Training and Advisory Services in fiscal year 1982, funded by Congress at $24 million. Isn't there a need for some ongoing Federal technical assistance to enable education institutions to respond to the various civil rights requirements they face?

Answer: Over the past several years, Title IV has spent millions of dollars in the identification and dissemination of exemplary policies, practices, and models in an effort to eliminate problems associated with race, sex and national origin desegregation. The experiences of school districts successfully addressing problems in these areas have been shared and can now provide a framework for successful implementation of programs in districts addressing these issues for the first time.

Also the program has contributed to developing capacity in State educational agencies for providing assistance to school districts in all areas -- race, sex, and national origin desegregation. By this time, it is appropriate for States and school districts to assume responsibility for developmental and assistance activities. Activities authorized under Title IV are explicitly included in the authority for Chapter 2 block grant, so States and school districts have a source of Federal aid that provides them flexibility in determining priorities.

The Federal role remains in the areas of assuring compliance with civil rights laws, including encouraging voluntary compliance by covered institutions and on resolving discrimination complaints through negotiation with all parties, and of research and dissemination.

WOMEN'S EDUCATIONAL EQUITY

Question: How has the Women's Educational Equity Act Program helped to eliminate barriers to equal educational opportunities for women and girls?

Answer: The Women's Educational Equity Act Program has funded over 400 grants since its inception in 1976. It has concentrated on funding the development of model programs and products which can be easily replicated and disseminated for use in various educational settings. There are currently available a multitude of training materials, educational approaches to sex equity, and community involvement models that can be used by both State and local educational agencies which are either developing or implementing sex equity programs.

The Women's Educational Equity Act Publishing Center provides a catalog of print and audiovisual products designed to address the needs of women and girls of all racial and ethnic background. For example, in the area of Sex Stereotyping in Education, the following modules -- consisting of audiotape cassette, instruction sheet, handouts for participants, a bibliography, and transparency masters -- are available for inservice training:

"Girl, Boy, or Person: Beyond Sex Differences"
"Sex Stereotyping in Math Doesn't Add Up"
"Equality in Science: Formula for Changing Sex Bias"
"Present But Not Accounted For: Women in Educational History"
"Reading, Writing, and Stereotyping"
"We the People: Sex Bias in American History"
"Exercising Your Rights: Elementary Sex Bias in Physical Education"
"Repainting the Sexist Picture: Stereotyping in the Fine Arts"
"Business as Usual: Sex Stereotyping in Business Education"
"A New Beginning: Eliminating Sex Stereotyping in Early Childhood Education"
"Diagnosing the Problem: Sex Stereotyping in Special Education"
"Write Me In: Stereotyping in Curriculum"
"Sex Bias in Research and Measurement: A Type III Error"

Past WEEA appropriations have concentrated considerable resources on particular equity-related interest areas. For example, the following areas have received funding as follows:

	Period of Operation	Number of Projects	Funding
Sex stereotyping	1979-1981	34	$4,225,929
Career awareness	1979-1981	14	4,719,808
Co-ed physical education	1980-1981	5	1,495,314
Community mobilization campaigns	1980-1981	3	1,231,416
Legal training	1978-1981	2	890,264
Health services	1980-1981	2	337,504

While we recognize that barriers to achieving equal educational opportunity for women, still remain, we believe that the Women's Educational Equity program and other programs have produced sufficient materials and models that future developmental and implementation activities can be left to the States. Under broad authorities in the Chapter 2 block grant, most activities can be continued or implemented in new districts, so Federal funding remains available, at the discretion of States and local school districts. The Federal role will remain in the area of compliance with civil rights laws and in research and dissemination.

FOLLOW THROUGH

Question: Last year's reconciliation act authorizes a phase-in of Follow Through into the Block Grant by the end of 1984. Why does the budget ignore the phase-in and instead eliminate by rescission federal support for Follow Through in fiscal year 1982?

Answer: The Follow Through program has been in existence since 1970. A variety of models for improving educational achievement of disadvantaged students in grades one through three were developed and tested during the early and middle 1970's. Many of the successful projects subsequently received approval by the Department of Education's Joint Dissemination Review Panel. However, since 1972 no new local school district projects have been added; the same districts are receiving funding for what are now straight-forward service projects.

Based on the priority to direct limited Federal funds to programs which provide maximum flexibility to States, such as the State block grant, and since a variety of materials and models are available as products from this program, the termination of the Follow Through program is sought. States and school districts are explicitly authorized to use their Chapter 2 block grant funds for Follow Through activities, so projects which meet priority local needs should be able to be continued.

Question: What is the average per pupil expenditure under the Follow Through program?

Answer: Based on service to approximately 37,000 students in 1981, the per pupil expenditure is $643.

Question: Why is it so much higher than the expenditure for Title I?

Answer: The per pupil expenditure is higher than the Title I program because the Follow Through program supports services for the entire school day instead of a portion of the day. In addition to the educational program, comprehensive services are provided for the health, social, and nutritional needs of each participant.

FISCAL YEAR 1982 RESCISSIONS

Question: The Department proposes to eliminate funding for a number of special programs by rescission in FY 1982 -- and then propose no funding for these programs in fiscal year 1983. For such programs as Follow-through, Civil Rights Training and Advisory Services, Biomedical Sciences, Women's Educational Equity, Aid to the Virgin Islands, and Law-related Education -- will you be proposing legislation to fold the programs into the block grant beginning in fiscal year 1982?

Answer: No. Some of these programs are fully incorporated into the block grant (Career Education, Biomedical Sciences, and

Law-related Education), or their activities are explicitly authorized under the block grant (Training and Advisory Services and Follow Through), or many or all of their activities can be supported under the more general authorities of the block grant (Women's Educational Equity, Territorial Assistance, and Ellender Fellowships.) Thus States and school districts may use their block grant funds for these programs, if they meet local priorities, and we do not intend to propose additional legislation to include them.

Question: Isn't it too late in the year to expect States to fund these categorical program out of their fiscal year 1982 block grant allocations?

Answer: Most of these programs are operated on a forward-funded basis. Fiscal year 1982 funds would have been awarded during the third and fourth quarters of the fiscal year. Block grant funds for fiscal year 1982 will become available in the fourth quarter, so timing would not be significantly different.

The clear exception was Ellender Fellowships, for which the Department obligated funds in November 1981, based on their early funding cycle. We are requesting rescission of $80,000 or 8.3 percent for that program.

BILINGUAL EDUCATION

STATEMENT OF JESSE SORIANO, DIRECTOR, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

ACCOMPANIED BY:

P. R. HALL, ACTING CHIEF, POLICY COORDINATION AND SERVICES UNIT, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

LOUIS J. SERPA, BUDGET OFFICER, POLICY COORDINATION AND SERVICES UNIT, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

GARY L. JONES, UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION

SUBCOMMITTEE PROCEDURE

Senator STEVENS. All right, Jesse Soriano, and you are the Director of the Office of Bilingual Education and Minority Languages Affairs. Who do you have with you, sir?

INTRODUCTION OF ASSOCIATES

Mr. SORIANO. With me today, Mr. Chairman, on my left I have Gary Jones, Deputy Under Secretary for Planning, Budget, and Evaluation; on my immediate right I have Mr. Ron Hall, Chief of the Policy Coordination and Services Unit for the Office of Bilingual Education and Minority Languages Affairs; and on his right is Mr. Louis Serpa, who is Budget Officer of the Office of Bilingual Education and Minority Languages Affairs.

SUMMARY OF STATEMENT

Mr. Chairman, I am pleased to appear before this committee to testify on the fiscal year 1982-83 budget proposals for programs of bilingual education. The programs which are administered by the Office of Bilingual Education and Minority Languages Affairs are directed at limited English-proficient persons and are generally meant to assist them in learning to read, write, speak, and understand English while they make progress in their overall schoolwork.

The programs administered by the Office of Bilingual Education and Minority Languages Affairs fall into three categories: Title VII, bilingual vocational education, and refugee education assistance programs.

Today I would like to speak primarily on title VII programs which are the major programs administered by the Office.

For fiscal year 1983, we are requesting $60,524,000 under the heading of basic grants—these are grants which go to the local schools. Funds will support an estimated 313 grants to local school districts, 47 demonstration grants, and 10 special demonstration grants, all of which will serve approximately 170,000 students.

Under training, we are requesting $25,500,000. This level would allow us to award 400 graduate fellowships in bilinqual education and to fund 110 universities or colleges to conduct teacher training programs, 15 training institutes, and 10 grants to State educational agencies for training State personnel. In addition, it would provide funds for approximately 19 resource centers.

Under the heading of support services we are requesting $8,510,000. These funds will allow us to continue our funding of the National Clearinghouse on Bilingual Education. These funds will also provide resources for State educational agencies, for national advisory council activities, and allow us to conduct studies and evaluations.

In the 1983 budget, we are not requesting any funds for desegregation programs. The 1983 total request is $94,534,000.

In the 1982 rescission budget, Mr. Chairman, we are requesting a rescission of approximately $11 million from the continuing resolution level of $138 million. This comes to approximately an 8-percent rescission.

At the rescission level we will award 453 basic grants, which will serve approximately 213,000 children. This level also allows us to give out 435 fellowships, 137 grants to universities and colleges, and 18 grants for short-term training programs.

In summary, our revised 1982 request totals $126,553,000.

PREPARED STATEMENT

In conclusion, Mr. Chairman, the activities of the Office of Bilingual Education and Minority Languages Affairs have been carefully reviewed to determine where reductions would have the least effect on the overall program effectiveness. The budget figures reflect, of course, the President's plan to reduce Federal spending.

[The statement follows:]

STATEMENT OF JESSE M. SORIANO

I am pleased to appear before this committee today to testify on the fiscal year 1982 and fiscal year 1983 budget proposals for Bilingual Education. In general, the proposals reflect support of the President's plans to reduce Federal Government spending and attempts to focus Bilingual Education activities on those areas of highest priority. For fiscal year 1983, $94,534,000 is requested, a reduction of about $32 million from the 1982 revised level. The revised level reflects a proposed rescission of $11,504,000 from the Continuing Resolution level of $138,057,000.

All programs administered by the Office of Bilingual Education and Minority Languages Affairs address the academic needs of limited English proficient persons. The major goal of these programs is to assist these individuals to improve their ability to read, write, speak and understand English while they make progress in subject matter skills. In Title VII, the Federal role consists of providing one- to three-year grants to school districts to encourage the establishment and operation of programs to serve limited English proficient children. Grants and contracts are also provided for training and support services on a regional and national basis. The Office also funds bilingual vocational training activities.

Grants to School Districts

In the Grants to School Districts activity we are requesting $60,524,000. At this level we will be able to fund an estimated 313 Basic Grants serving more than 150,000 children. We will also fund 47 Demonstration Grants which will serve more than 17,000 children. Included in this total are funds for Special Demonstration Grants which will support some 10 exemplary projects selected from previously funded Demonstration and Basic Grants projects. These funds will enable projects to document their success and aid other school districts to implement a similar project. Through this program, we hope to capitalize upon the investment of resources already made by sharing, at a relatively low cost, the knowledge and talent developed at one site with others. The Grants to School Districts total also includes $2,500,000 for Bilingual Vocational Training.

Under the Grants to School Districts activity, we propose to permit school districts greater flexibility than in the past to design the kind of program which they believe will be most effective for the particular students they intend to serve in the project. This policy is in keeping with the Administration's objective of returning the educational decision-making process to the local level. I believe that local school districts are in the best position to understand the needs present at the local level and to design programs to respond to those needs.

Desegregation Grants

Of the 37 school districts which now receive financial support for desegregation assistance projects, 28 also receive support under the Basic Grants activity. Since activities in desegregation projects are similar in several respects to activities in the Basic Grants program, no funds are requested for this activity in fiscal year 1983. This will reduce some duplication, and desegregating districts will be encouraged to apply for funding under the Basic Grants activity.

Training

A total of $25,500,000 will be available for training activities in fiscal year 1983. These funds will provide for some 400 graduate-level fellowships and provide grants to Resource Centers which, as their principal activity, will furnish in-service training to school districts. In addition, 110 projects at institutions of higher education, enrolling an estimated 3,300 students, will be funded to design and implement bilingual eduction teacher training programs. Fifteen Training Institutes will also receive awards and 10 State Education Agency Training programs will be funded.

Support Services

For Support Services, $8,510,000 will be available in fiscal year 1983. Materials Development will no longer be funded as a separate activity. Studies of materials development and the experience of OBEMLA staff have shown that many of the products developed by Materials Development Centers were not fully utilized by school districts. For this reason, and after a careful review of of all support service activities, we are proposing to consolidate functions formerly performed by all three types of centers into the new multi-purpose Resource Centers. The centers to be consolidated are: Materials Development Centers, Evaluation Dissemination and Assessment Centers, and Bilingual Education Service Centers. The Resource Centers will focus their activities on training and technical assistance, but will also assist school districts in developing instructional materials and improving evaluation efforts. School districts will be allowed to develop materials using their Basic Grants. This policy will ensure that materials are relevant to what is being done in the school district.

Under Support Services we will continue to fund the Bilingual Education Clearinghouse, the State Education Agency technical assistance grants, and the Advisory Council. Studies and Evaluation will continue at a reduced level, but resources should be sufficient to enable us to address high priority research questions.

Fiscal Year 1982 Rescission

For fiscal year 1982, the Department proposes a rescission of $11,504,000 from the Continuing Resolution level of $138,057,000. At the revised level, activities will be continued at about 91 percent of present levels. This level will support an estimated: 453 grants to school districts which will benefit an estimated 213,000 children; 435 fellowships; 137 grants to institutions of higher education; 18 grants for short-term training institutes and training grants to State Education Agencies; and research, technical assistance and other support services at a reduced level. The revised level will also support 12 bilingual vocational training projects, 5 instructor training projects, and 2 contracts for curriculum development.

In conclusion, activities have been carefully reviewed to determine where reductions would least affect overall program effectiveness. As a result of this careful review, we have made decisions on what activities can be eliminated or consolidated.

My colleagues and I will be glad to answer any questions you might have.

Biographical Sketch

NAME : Jesse M. Soriano

POSITION : Director, Office of Bilingual Education and Minority Languages Affairs

BIRTHPLACE AND DATE : San Antonio, Texas, October 21, 1933

EDUCATION : Michigan State University, 1959 B.A.
Michigan State University, 1962 M.A.
Michigan State University, 1963, M.A.

EXPERIENCE :

PRESENT : Director, Office of Bilingual Education and Minority Languages Affairs, U.S. Department of Education
1969-1981 : Director, Office of Bilingual and Migrant Education, Michigan Department of Education
1957-1969 : Field Coordinator, Bilingual Teacher Training Program, Ann Arbor Public Schools
1964-1967 : Foreign Language Teacher, Detroit Public Schools
1959-1961 : Foreign Language Teacher, Marine City, Michigan

ADDITIONAL EXPERIENCE : Adjunct Instructor, University of Michigan, Flint, Michigan
Adjunct Instructor, Sienna Heights College, Adrian, Michigan
Coordinator, Indochinese Education Programs

PUBLICATIONS: Mexican-Americans in the Midwest, American Council on the Teaching of Foreign Languages Annals, March, 1969
Coop for the Homing Pigeons, Michigan Education Association Journal, October 1965.
Teaching English as a Second Language-Kindergarten, Foreign Language Innovative Curriculum Studies, 1969.
Teaching Spanish as a Second Language-Kindergarten, Foreign Language Innovative Curriculum Studies, 1969.

SCHOOL POPULATION INCREASE

Senator STEVENS. You have got an increase in the school population that is requesting bilingual education programs, don't you?

Mr. SORIANO. Perhaps Mr. Hall can answer that.

Mr. HALL. We have just completed a research study funded under our part C, title VII research agenda, which projected the growth of the limited English-proficient population to the year 2000. The data bases that we had to use in that study are not as solid as we would like; however, we do have another study underway to estimate these populations, using the 1980 census data. Those data will not be available until next year. But based on the current projection study—and I will be happy to supply a summary of that study to the committee—we do expect that the overall language minority and thus the population of limited English-proficient children will continue to increase as a proportion of the general population.

Senator STEVENS. You are talking about the children that need language assistance will increase? I'm led to believe that some 40 percent compared to an increase of 16 percent in the general population level, is that right?

Mr. HALL. Yes, sir, that's basically correct. The number of language minority children is projected to grow at that rate. Of that group the number of limited English-proficient children is projected to increase at a rate of about 35 percent.

Senator STEVENS. How are we going to meet that need with this budget?

NEED FOR PROGRAM FUNDS

Mr. SORIANO. First of all, Mr. Chairman, bilingual education funds are meant to be supplemental. They are designed to be used for capacity development in local school districts. They are not meant to serve all children directly. We have never served all the children, and I suspect we will not be able to serve all the children with the funds that we have.

Senator STEVENS. We respect your position on this. I understand a lot of people are caught up in the problem of the budget.

What I'm driving at is, are you going to revise your program, are you going to use the funds in a different manner to meet the needs of these children in spite of the reductions?

How are you going to do it?

Mr. HALL. I think one point we should make now is the growth of State education programs for bilingual education—we now have some 30 States who have their own legislation either permitting or requiring bilingual education type services. Those vary, of course, from State to State as to how they identify the children. But, there is considerable growth in State and local interest in providing the programs.

As Mr. Soriano indicated, we have tried to focus this program at the Federal level in the past so that growth in the State and local spending is consistent with our present policy.

TEACHER TRAINING

Senator STEVENS. I can understand that, too. But why did you reduce the funds for the bilingual teacher training programs? It seems that's one area the Federal Government could use its funding for when States and local school districts are picking up more of the actual programing, that the availability of people to be involved seem to be more important on the Federal side. Why do you reduce the bilingual teacher training programs under those circumstances?

Mr. SERPA. Senator Stevens, we recognize that having a qualified teacher in a classroom is one of the most important things that can take place in this program. When we looked at the budget, we had to work with a particular amount of money, and we decided that given the importance of training, we would cut that budget less than the direct services budget to children. We did this primarily in recognition of the fact that if you can do one thing, it is important to have a qualified teacher. We did make a tradeoff.

For example, in the overall training budget, we reduced it about 3 percent from 1982 to 1983, and this compares with about a 16-percent reduction in the LEA grant program again from 1982 to 1983.

Senator STEVENS. So you reduced it less, but you've got a rescission here of $2.4 million for 1982? And that will take you down to what?

Mr. SERPA. Even without the rescission if you compare it to the continuing resolution level, the net reduction in training would still be less than the reduction in the LEA grant program.

Basically, if you go from the continuing resolution level to the 1983 level, it is about a 25-percent reduction in the LEA grant program, but it is about an 11-percent reduction in all of training.

BILINGUAL VOCATIONAL TRAINING

Senator STEVENS. What does the bilingual vocational training program encompass exactly? How does that differ from the training grants?

Mr. HALL. The bilingual vocational training program is authorized under the Vocational Education Act of 1963. It provides for three activities; direct training for individuals who need vocational training, and who also need job-related English-language skills.

Senator STEVENS. This is training of individuals as opposed to teachers?

Mr. HALL. Right. The second activity, though, that is authorized by the legislation is the training of bilingual vocational instructors.

Senator STEVENS. Where does that money come from? Out of the training grants, the bilingual training grants?

Mr. HALL. No, sir. Currently it is a separate line item in our budget. The statute specifies that 65 percent of the money appropriated will go for direct vocational training; 25 percent will go for instructor training; the remaining 10 percent goes to develop curriculum materials. Funds for these activities are in the bilingual vocational training line item at the bottom of the sheet.

Senator STEVENS. What I'm trying to get at, is it possible that some of the people who receive bilingual vocational training could also be funded under the training grant?

Mr. SERPA. No; remember, there are two different programs. The bilingual vocational training program in general is geared toward out-of-school youth and adults to try to prepare them for employment in various new and emerging occupations.

Senator STEVENS. Part of that money is used for instructors; right?

Mr. SERPA. Yes, it is.

Senator STEVENS. All I'm saying is, could instructors receive grants under the training grants?

Mr. SERPA. No; we don't fund bilingual vocational instructor training under that category since the training grant category is in title VII. The training grants program is primarily geared toward training bilingual education teachers or teacher trainers for elementary and secondary programs as compared to bilingual vocational training programs which serve out-of-school youth and adults.

So, one program is for elementary/secondary preparation and the other is for out-of-school students and adults.

ENGLISH AS A SECOND LANGUAGE

Senator STEVENS. I understand there is a new concept now, English as a second language.

What is the difference between that and the bilingual approach?

Mr. SORIANO. Basically in the bilingual approach you use the child's home or native language to conduct some of the instruction to lead to English proficiency.

In English as the second language, you use a foreign language methodology, in teaching English to the youngster and all instruction is in English.

Senator STEVENS. Are you aware of the Munoz Marin experiment in Puerto Rico, where you end up with foreign language schools with English as a second language?

Mr. SORIANO. I don't believe I'm aware of that, sir.

Senator STEVENS. Munoz Marin convinced the Congress some time ago that schools in Puerto Rico should not be taught in English.

Is that what this is? Are these going to be public schools taught in foreign language?

Mr. SORIANO. No; a primary focus of bilingual programs funded under title VII is to teach English-language skills. However, in bilingual education some of the subject matter instruction is conducted in the child's native language. You don't teach the child his native language, but that language is used to some extent to lead him to English proficiency.

Our programs also allow the student to develop academically in his other schoolwork. At the same time, however, you also carry out some of the other instructions in English.

Senator STEVENS. Is bilingual in both languages?

Mr. SORIANO. Yes, it is.

Senator STEVENS. Is English as the second language taught in both languages?

Mr. SORIANO. No, it is not.

Senator STEVENS. What language would it be in?

Mr. SORIANO. That would be all in English.

Senator STEVENS. Have you got any indication how the school districts will accept that concept?

Mr. SORIANO. I think we have some general idea. If you look at it from an administrative standpoint, English as a second language programs, of course, would be easier to implement because a school district would not have to find bilingual staff or would not have to find teachers who know a language other than English. You would simply have to retrain them in English as a second language methodology.

So I suspect that from an administrative or staffing standpoint it would be easier to implement English as a second language programs.

Senator STEVENS. Sounds like what we are doing in Alaska already with our native children. I just don't know how it fits in.

How would that work in a Spanish-speaking community? What kind of classes would they get in this English as a second language program?

Mr. SORIANO. In English as a second language programs for Spanish-speaking youngsters, instruction, all instruction, would be provided in English.

Senator STEVENS. Where would the Spanish instruction come in?

Mr. SORIANO. It would not. It would not be part of the program. It might be—you might have bilingual teachers, or teachers who could speak Spanish who might speak to the children for some reason or another in Spanish. But the instruction itself, the actual instructional program is conducted in English.

Senator STEVENS. Is this going to delay their education until they then can speak English? Is that what you are saying?

Mr. SORIANO. There seems to be some evidence on both sides of the fence, and that seems to be the issue now.

We do not have conclusive evidence on either side. There is some commonsense logic that seems to indicate that if you teach a youngster concepts in his native language he would learn subject matter much more quickly than if he were taught it in English.

Senator STEVENS. Is this approach going to be used in preschool activities at all?

Mr. SORIANO. It's been used in preschool activities very, very successfully.

Senator STEVENS. Is English as a second language aimed primarily at preschool?

Mr. SORIANO. English as a second language approach is being used both at the preschool level and in later grades. We have mixed data on its effectiveness. Part of the reason for this is because of the many differences in the populations, the degree to which students have command of one language or the other, or both.

LEGISLATIVE PROPOSAL

Mr. JONES. Mr. Chairman, may I interject for a moment please?

Senator STEVENS. Surely.

Mr. JONES. The Department has through considerable discussion over the last several months, come up with legislative recommendations submitted to OMB which should be transmitted to the Hill very soon.

These focus on two elements of your concern today. One of them is the size of the limited English-proficient population. Secretary Bell sent a letter to Mr O'Neill and Vice President Bush earlier this month identifying precisely what we have found in the studies alluded to earlier by Mr. Hall.

In the projections discussed earlier by Mr. Hall, while the report estimates 2.4 million children 5 to 14 are limited English proficient, only 1.1 million of those usually speak a language other than English. From other analysis we know that 900,000 of the 2.4 million children come from homes where English was the usual household language, and nearly 400,000 make no reported use of the non-English language.

We are attempting to develop a more appropriate definition for limited English students. Second, we are proposing to include English as a second language programs in the title VII program. Currently the Federal Government requires bilingual education in order for local school districts to get funding under title VII.

We believe that local school agencies should have the choice as to which kind of program they wish to select. It could be one of those two; it could be another approach.

There are local school systems that do use English as a second language and have found it to be very effective. There are school systems that use the bilingual approach and found that to be very effective. So what we are trying to do is to permit the local school boards to determine which of the programs would be most effective for their students and their resources.

Senator STEVENS. How does it change the funding for an individual district as to which one they use? Would there be less support under the English as a second language approach than bilingual?

Mr. SORIANO. If we are successful in placing our greatest priority on the group of children whose usual language is not English, then of course that is a smaller number of such children nationally.

If we maintain our present definition which is found in the title VII legislation of the limited English-proficient child, then we go back to the approximately 3.6 million children. That would then impact on the amount of service we could deliver with the reduced amount of dollars.

Senator STEVENS. It looks like the stimulus would be to stay with the bilingual programs in terms of funding, as I read your budget.

Mr. JONES. It is, unless our legislative changes are accepted, sir. If our legislative changes are accepted, it means the local system could have its choice as to which form, which program it wished to implement.

Currently, unless you choose the bilingual approach you don't qualify for any funding.

SUBMITTED QUESTIONS

Senator STEVENS. Thank you very much. Again I'm sorry for the delay. We will have additional questions for you for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

BILINGUAL EDUCATION

Question: Recent projections estimate that while the overall school-aged population will grow by approximately 16 perecent by the year 2000, language minority school-aged children will increase by approximately 40 percent in that same period. How does your FY-83 budget request address the potential problems States and localities face in developing bilingual education programs to respond to the increasing numbers of language-minority children among our total school-age population?

Answer: The 1983 budget request continues to be based on the objective of increasing the capacity of local education agencies to offer special programs for this population. While the fiscal year 1983 budget request will fund fewer local projects than in the past, we believe that it is sufficient for us to continue to have a leadership role in this area. Although there is an increasing school age population of limited English proficient children, there has also been an increase in State and local efforts to serve this population. In a January 1982 report, the Education Commission of the States estimated that more than 700,000 were receiving bilingual education services from State and local funds.

Question: According to your justifications, the FY-83 budget request for local bilingual projects would serve 58,000 fewer children, a reduction of 27 percent below the current participation level. What States will be most adversely affected by this proposed reduction.

Answer: Since the program is a discretionary one, funds are awarded on a competitive basis. It is impossible to predict how any State will fare in the competition. Based on a straight line projection, however, on an average each State will receive about 26 percent less funds in 1983 than in 1982. In reality, some States will fare better, others worse.

Question: To what extent has the Bilingual Education Act stimulated increased expenditures of State and local funds for bilingual education?

Answer: When the Bilingual Education Act was first funded in 1969, there was little in the way of State or local funding for bilingual education. Today there are thirty States which have either mandatory or permissive legislation for bilingual education and twenty-two of those States spend a total of about $85 million for such programs. We believe that the Federal effort in bilingual education, together with court decisions and genuine concern at the local level have caused this change.

Question: In your view, could those States and localities participating in the Federal programs sustain bilingual education without Federal support?

Answer: Yes. The report of the Education Commission of the States which I just cited indicates a growth in the activity of States in serving this population. It is my belief that past capacity building efforts of Title VII have also created the ability in many districts to operate these programs.

Question: Your budget documents state that the decrease in bilingual education funds is necessary to "reduce Federal expenditures as a means of reducing inflation." In preparing the FY '83 budget, to what extent did the Administration take into account additional long-range Federal costs resulting from bilingual education cutbacks such as increased unemployment and welfare payments?

Answer: I do not believe that the Federal Government has the responsibilty to meet the needs of all limited English proficient children. In the Bilingual Education program, the Federal role is one of catalyst, to encourage the establishment and operation of programs to serve these children. Basically it is a local responsibility to provide services on a continuing basis. I believe that the Department can and will continue to excercise a leadership role in this area.

Question: To what extent are non-English proficient youngsters more likely to drop out of high school than those who have mastered English?

Answer: Hispanic young people, aged 14 to 25, who usually speak Spanish, are 4.5 times as likely to have dropped out of high school as majority students. Young people with other language backgrounds, who usually speak their home languages, are three times as likely to have dropped out of school as majority students. When data are available from the 1980 Census to link drop-out rates directly with limited-English-proficiency, we should have more up-to-date and better quality data on this question.

SUPPORT OF BILINGUAL EDUCATION BY LOCAL GOVERNMENTS

Question: The Department's contention seems to be that local governments must increase their support of bilingual education. Isn't it true, however, that most school districts with large numbers of limited English proficient children are often the least able to finance these programs without Federal aid?

Answer: The ability of a school district to finance its various education programs is dependent upon many factors, only one of which is Federal support. Taken as a whole, the amount of Federal support for education in the nation is less than 10 percent of all funds expended. Many of the neediest districts in the country have received Title VII grants in the past. We expect that these districts should be able to continue to operate these programs without continued Federal support. Once the capacity to operate bilingual programs is developed, the cost should be comparable to that of a normal English classroom.

TRAINING

Question: Why are you proposing to reduce funding for bilingual teacher training programs at a time when enrollments of limited English speaking youngsters are increasing?

Answer: Although the need for bilingual education teachers is increasing as a result of the growing limited English proficient population, we are proposing to reduce funding for training programs because of the need to reduce Federal spending. The reductions in the training activity, however, are proportionately less than those for other activities. One of the objectives of this activity is to build the capacity of institutions of higher education to produce such trained personnel. At this point this capacity is considerable and we expect that these programs will continue to produce bilingual teachers in the future.

BILINGUAL VOCATIONAL TRAINING

Question: The Department of Education's FY '81 evaluation of programs states: "Bilingual vocational training programs can reduce unemployment rates, increase job earnings and increase the rate of labor force participation of limited-English speaking adults." Yet, you are proposing to eliminate funding for bilingual vocational training projects. Should job-training for those with the highest unemployment rates be a high federal priority?

Answer: In 1983 this activity will be funded at approximately $2.5 million. Job training for limited English proficient persons continues to be a high priority for the Department. However, the objective of those programs administered by my office is to demonstrate effective practices and techniques rather than to operate such programs on a large scale. We expect that other government and private sector efforts can utilize the findings developed in our demonstration program and implement them on a much larger scale.

Question: How likely is it that such programs would be funded out of basic grants when you are also proposing funding reductions of 24 percent in the basic grant program?

Answer: We intend to support bilingual vocational training projects at a level of about $2.5 million in 1983. This is a reduction of about $1.2 million or 32 percent from the Continuing Resolution level. We expect that the program can play a meaningful role at this level.

CIVIL RIGHTS

Question: What Federal laws and judicial rulings serve as the basis for Federal support of bilingual education programs?

Answer: Support for bilingual education is specifically authorized by Title VII of the Elementary and Secondary Education Act of 1965 as amended. Title VII provides Federal assistance through discretionary grants and contracts for a number of development and support activities to encourage the establishment and operation of programs of bilingual education. Bilingual education is also an allowable activity under Chapter I of the Education Consolidation and Improvement Act of 1981, which authorizes Federal assistance through formula grants to State and local education agencies to meet the special needs of educationally deprived school children.

Question: By cutting the Department's bilingual education program, to what extent would the civil rights of non-English speaking students be restricted?

Answer: We expect that in the absence of Title VII funds, a school district would still take appropriate action to meet the needs of limited English proficient children as required by civil rights legislation. Title VII assistance can be used to establish programs to come into compliance with civil rights requirements, but such funds are only available on a short term basis.

NATIONAL ADVISORY COUNCIL

Question: What is the role of the 15 member National Advisory Council on Bilingual Education?

Answer: The National Advisory Council on Bilingual Education advises the Secretary and the Director of the Office of Bilingual Education and Minority Languages Affairs on policy and other matters arising out of the administration of Title VII and other programs which serve limited English proficient students. The Council issues an annual report, meets at least four times a year and holds public hearings.

Question: To what extent is the Advisory Council consulted on matters pertaining to the budget proposal for bilingual education?

Answer: The Director of the Office frequently meets with the Council to share his views and to consult with the Council. In addition, Council members are frequently in contact with other staff. This relationship can be characterized as one of active and frequent exchange of ideas, views and advice. The Council usually provides its views on budget matters.

Question: Why has the Administration proposed an FY '83 funding level $50 million below the level recommended by the Advisory Council?

Answer: We could not accept the advice of the Council on the budget because of our need to support the President's objective of reducing Federal expenditures. Some of the specific proposals by the Council were accepted, however, including one to place relatively greater emphasis on training, particularly parent training, and proposing a greater level of support for the demonstration program. The advice of the Council is extremely useful to the Director even though he can not always comply with that advice.

BILINGUAL EDUCATION MATERIALS DEVELOPMENT

Question: What problems has the Department identified with the materials development program?

Answer: A study of the materials development activities was conducted in 1978 which identified a number of problems both with the development of materials and with the dissemination of materials. Some of the products were found to be too difficult for use in the classroom. Others did not fully conform to State and local curriculum requirements. The dissemination process was at times too cumbersome and not cost effective. While we have been attempting to address these problems since 1978, we feel that the policy reflected in the 1983 budget will ensure that these activities are efficient and useful to the school districts.

Question: How will your proposal to consolidate bilingual education support services address these problems?

Answer: The consolidation of the three types of centers into a single multi-purpose center, coupled with the policy of encouraging materials development at the local level should eliminate the problems detailed in the 1978 study. Each project can develop its own materials to fit its unique circumstances while drawing on the talent of experts at the Resource Centers. If local projects are involved in developing their own materials, they will certainly find these products useful.

Question: What percent of materials developed are geared toward Spanish speaking youngsters?

Answer: The majority of the materials developed with Title VII funds since 1974 have been directed to Spanish/English programs. The reason for this is that the majority of the target students are Spanish background. Materials have been developed, however, in many other languages as well including several Native American and Alaskan languages, Indo-European, and Asian languages.

Question: Because there is a smaller market for non-Spanish bilingual teaching materials, isn't there the likelihood that these materials would not get produced commercially or at all if the Federal materials development funds were greatly reduced?

Answer: Title VII supports local projects that serve children from more than 70 languages in addition to Spanish. Furthermore, for most of the other languages, there are relatively few projects or children being served. These factors discourage commercially produced materials since there is very little market for them. Our intent in the fiscal year 1983 budget is to have needed materials developed at local school districts. If these projects serve children from language groups for which materials do not exist, they will be able to use part of their basic grant to develop such materials and also receive assistance from the Resource Center in doing so.

ENGLISH-AS-A-SECOND LANGUAGE

Question: An alternative to Bilingual instruction is the English-as-a-Second Language approach. How does English-as-a Second Language instruction differ from the Bilingual approach?

Answer: English-as-a-second language programs are typically concerned only with the acquisition of English by the students. They are not concerned with progress in other subject areas while the student prepares to enter regular English language classrooms. In contrast to this approach, bilingual education is concerned with the student's progress in all subject areas while English language skills are acquired. The native language is used to the extent necessary in other subject areas to enable students to keep up with their English speaking classmates.

Question: Do you have any data on the success of English-as-a-Second Language programs compared to bilingual programs where all subjects are taught in the student's native language?

Answer: We do not have good data to indicate that either approach is generally more effective. What the data do suggest is rather that either method can be effective under appropriate circumstances. Several of the studies in the bilingual education research agenda, planned or underway, should help us understand better when these approaches are most effective.

Question: To what extent are school districts instructing youngsters using the English-as-a-Second Language approach as opposed to Bilingual?

Answer: In a study conducted in the spring of 1978, which does not include data from Texas, it was found that about 23 percent of all limited English proficient children were receiving bilingual instruction, including instruction in the English language. About 11 percent received English as a second language instruction, with no instruction in their home language.

Question: What plans do you have to change the definition of Bilingual Education to include teaching methodologies other than dual language instruction?

Answer: The Department is finalizing several proposed amendments to the Bilingual Education Act. One of the proposals addresses a change in the definition of progrms funded under the program. Specifically, we are proposing to extend the range of services in the program to include use of English only instruction where the LEA deems it be appropriate and supportable. This new definition would cover programs such as English as a second language and immersion.

Question: In proposing such changes would you need to change existing law?

Answer: Yes. The present law requires, as a condition of receiving Title VII funds, that some instruction take place in the student's home language. This condition precludes funding all-English instructional approaches.

Question: Why haven't other than bilingual teaching methods been included in the Department's program up to now?

Answer: The Bilingual Education Act, as amended in 1974 and 1978, defines a bilingual education program as one in which instruction is given in English and "to the extent necessary to allow a child to achieve competence in the English language, the native language of the children." We have interepreted this language to require some use of the home language of the students.

BILINGUAL EDUCATION

Question: How many local project applications, which met all current Federal bilingual program requirements, were not funded this year because of the lack of funds?

Answer: We have not yet made decisions about funding for fiscal year 1982 (school year 1982-1983). Decisions will be made by June. We have received 383 applications for continued assistance from school districts. We expect to fund each of them at about the same level of support they received the previous year. We also received approximately 475 new applications for funding. We estimate that of these 475, we will be able to support about 185.

Question: Given the decrease in FY 1982 funding for bilingual education grants to school districts, do you foresee fewer projects being supported or fewer dollars allocated to each project?

Answer: The effect of decreased funding in fiscal yer 1982 will be that fewer new projects will be supported than in previous years. Continuation projects will be supported at about the same level as they received the previous year.

Question: How many limited English-proficient children are estimated to need bilingual education services in order to help them keep up academically with their English speaking peers?

Answer: There are an estimated 3.6 million school-aged children in the United States who have special educational needs related to their language characteristics. These are children who meet the definition in the Bilingual Education Act--they come from language backgrounds other than English and have sufficient difficulty speaking, understanding, reading and writing English to prevent them from participating successfully in classrooms in which the language of instruction is English. It is interesting to note, however, that a large percentage of this number use English as their usual language and a significant percentage, make no use at all of the non-English language.

Question: How many of these are actually receiving bilingual education services?

Answer: In the spring of 1978, only about a third of all limited English proficient children aged 5-14 were receiving any kind of special services, including bilingual instruction and English as a second language instruction. According to the previously cited report of the Education Commission of the States, more than 700,000 children were receiving such services in school year 1981-82.

SUBCOMMITTEE RECESS

Senator STEVENS. We will reschedule the hearing on the National Institute of Education, the Fund for the Improvement of Postsecondary Education and Education Statistics on March 23, 1982, at 3 p.m. I do apologize for the delay.

At this time we will recess until 10 a.m. tomorrow morning.

[Whereupon, at 4 p.m., Wednesday, March 17, the subcommittee was recessed, to reconvene at 10:05 a.m., Thursday, March 18.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

TUESDAY, MARCH 16, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:03 a.m. in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Mark O. Hatfield, presiding.

Present: Senators Hatfield, Weicker, Andrews, Abdnor, and Burdick.

DEPARTMENT OF EDUCATION

LIBRARIES

STATEMENT OF DONALD J. SENESE, ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

ACCOMPANIED BY:
- RAY M. FRY, DIRECTOR, DIVISION OF LIBRARY PROGRAMS, OFFICE OF LIBRARIES AND LEARNING TECHNOLOGIES
- ROBERT KLASSEN, CHIEF, PROGRAM COORDINATION STAFF, OFFICE OF LIBRARIES AND LEARNING TECHNOLOGIES
- SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SYSTEMS AND SERVICES

SUBCOMMITTEE PROCEDURE

Chairman HATFIELD. The meeting will come to order.

Today we will begin our hearings on fiscal year 1982 rescissions and supplementals and the fiscal year 1983 proposed budget for the Department of Education.

We have three distinct areas to cover this morning, libraries and learning resources, vocational and adult education, and the impact aid. Major changes are being proposed in all three areas. So, we have a great deal of material to cover.

Let's begin with the testimony from Dr. Donald J. Senese, Assistant Secretary for Educational Research and Improvement, who will explain the administration's position on library programs which we understand are being eliminated in fiscal year 1983.

PREPARED STATEMENT

Dr. Senese, we welcome you here and ask you to introduce your associates and then proceed to summarize your statement. The full text of your statement will be placed in the record.

[The statement follows:]

STATEMENT OF DONALD J. SENESE

We appreciate this opportunity to appear before you to discuss the 1982 rescission request and 1983 budget for the libraries account. A rescission of $22,110,000 from the continuing resolution level of $80,080,000 has been proposed for 1982 and no funds are requested for 1983, thus terminating the Federal Government's role in financial support of library grant programs.

FISCAL YEAR 1982 RESCISSION

The request for 1982 provides $57,970,000 for the library assistance programs authorized by the Library Services and Construction Act—LSCA—and the Higher Education Act—HEA—of 1965, as amended. The 1982 request would reduce the level authorized under the Third Continuing Resolution by $22,110,000. The impact of this reduction involves the elimination of one small program, the college library resources program—HEA, title II-A—which the Congress already reduced under the continuing resolution. The public library services program—LSCA, title I—would be decreased by $18,750,000, or approximately 30 percent. In addition, interlibrary cooperation—LSCA, title III—would be reduced by $960,000 while library training and demonstrations—HEA, title II-B—would be maintained at its current level. The research libraries program would be reduced by $480,000.

FISCAL YEAR 1983 BUDGET REQUEST

For fiscal year 1983, the administration is not requesting any funds for library programs. Our decision to eliminate library support was primarily a matter of priorities. We realize there is a need to maintain the quality of library services. We are also cognizant of the impact inflation and rising costs have on libraries. However, in our task to reduce overall Federal funding, without severely affecting critical basic educational services, we believe major cuts in library programs are justified.

In 1956, when Congress authorized the Library Services and Construction Act, many parts of the Nation were without adequate library services. In some cases, the poor, the handicapped, and persons with limited English-speaking ability received no services at all. Today, an estimated 96 percent of the population has access to some form of library service—according to an independent study entitled "An Evaluation of Title I of the Library Services and Construction Act," conducted by Applied Management Sciences in 1981.

As a result of the Federal stimulus, a variety of library services now exist, including services for special needy groups. We feel that States have the capacity and the willingness to maintain and improve the quality of public library services. Moreover, because local needs are so diverse, we believe other levels of government are in a better position to sort out and respond to the needs of their communities.

The majority of the American public currently has access to public library services, and the Federal Government has played an important role in stimulating this development. Since 1957, the Federal Government has provided States with more than $800 million to extend public library services. State and local matching funds, in excess of $2 billion, have also contributed to the development of library services and interlibrary networks. At this time, we feel that the Federal stimulus, which is about 5 percent of the total library resources, is no longer needed.

CONCLUSION

Thank you, Mr. Chairman, for giving me this opportunity to address your committee. My colleagues and I will be pleased to answer any questions you may have at this time.

INTRODUCTION OF ASSOCIATES

Dr. SENESE. It is a pleasure to be here, Mr. Chairman.

I would like to introduce Ray Fry, Director of Division of Library Programs, Office of Libraries and Learning Technologies; Robert Klassen, Chief, Program Coordination Staff, Office of Libraries and Learning Technologies; and Sally Christensen, Director, Budget Systems and Services.

Allow me to present highlights out of my statement.

The library budget includes a request for approximately $58 million for fiscal 1982, which involves a net reduction of $22 million from the $80 million level authorized under the continuing resolution.

Chairman HATFIELD. Would you, for the record, introduce your colleagues with you, from left to right.

Dr. SENESE. On my right is Robert Klassen, Chief, Program Coordination Staff, Office of Libraries and Learning Technologies.

On my left, Ray M. Fry, Director, Division of Library Programs, Office of Libraries and Learning Technologies.

And on my far left is Sally Christensen, Director, Budget Systems and Services.

Chairman HATFIELD. Thank you very much.

OPENING REMARKS

Dr. SENESE. The approval of the rescission would amount to a 31-percent reduction in public library services, an 8-percent reduction in interlibrary cooperation, a $480,000 reduction in research libraries program, which would reduce the current program level to $5,280,000. The college library resources rescission of $1,920,000 would terminate that program. Together, these reductions would reduce the overall support of public and higher education library programs by approximately 27 percent.

A major portion of the 1982 reduction is included in grants for State library programs where Federal dollars are used to stimulate rather than supplant State and local programs.

I would like to give the highlights of the fiscal year 1983 budget. For fiscal year 1983, the administration is not requesting any funds for library programs authorized under the Library Services and Construction Act, titles I and III, or under the Higher Education Act, titles II–A, B, and C. The elimination of library programs is a matter of priorities. With a limited budget for education, we were forced to maintain the budget level in programs that provide direct educational services to low-income and handicapped individuals. We were influenced by the evidence that State and local governments are in a better position to maintain the quality of public libraries. Since 1957, the Federal Government has provided public library services with more than $800 million to assist in extending library programs to areas without adequate library services.

Today approximately 96 percent of our citizens have access to libraries. The success of State, local, and private efforts, which continue to provide approximately 95 percent of the funds for libraries, is due, in part, to the Federal matching grant.

It is our belief that limited Federal funds for libraries is no longer critical to the maintenance of the operation of State and local and private libraries.

Mr. Chairman, I am not unmindful of the important role that libraries play, providing educational and informational services. Libraries have become dynamic institutions, to provide a wide array of services. I am optimistic that local communities will continue to view libraries as vital to their own well-being.

It is a pleasure to be here. My colleagues and I stand ready to answer questions.

FEDERAL ROLE FOR LIBRARIES

Chairman HATFIELD. I am trying to assimilate the impact of the policy announced here today, in effect excising the library program from the Federal role, the Federal Government.

I have a copy of the statement issued by the President last year, National Library Week, from April 5 to 11, 1981. And one paragraph in this statement: "If we are to guard against ignorance and remain free, as Jefferson cautioned, it is the responsibility of every American to be informed. During National Library Week, I urge Americans everywhere to use our Nation's libraries and take full advantage of the services which they provide."

And yet, as I understand your statement, we are, less than a year later, eliminating all Federal aid to libraries. Do you feel that squares with the President's statement on National Library Week that he issued in April 1981?

Dr. SENESE. Yes; Mr. Chairman, I do. I think it is important to recall that the Federal Government provides only about 5 percent of total funding for libraries, the remaining amount coming from State and local sources. I think the Federal program has been successful over the years in stimulating the State and local resources and access to libraries in our population.

ACCESS TO PUBLIC LIBRARIES

Chairman HATFIELD. Could we go down into some of those figures that you make—how you come to that conclusion?

You state that services—library services are now available, I believe, to 96 percent of the U.S. counties and 95 percent of the small towns across the country. In both qualitative and quantitative terms, what type of library services must be available in a community in order to classify a community as being served by a public library according to your definition?

Dr. SENESE. This varies according to individual State and local regulations.

Mr. Klassen, do you want to comment on that?

Mr. KLASSEN. Each State and local agency determines what its standards are for excellence in library service. They will often indicate the level of aid they would like, the hours the library should be open during the week, and the staff capacity for that week, month, or year. These are local standards, which we accept as reported to us. These reports also indicate that 96 percent of the population now has access to public library services.

Chairman HATFIELD. Could you give me a range or an idea of how many days a week services must be available to qualify?

Mr. KLASSEN. Again, that is a local responsibility. We would expect that a good many libraries might be open as many as 80 hours a week. Others would be open a lot less. I think we need to look at the fact that many of these libraries have branch libraries, and those would further extend access in a city.

DEFINITION OF ACCESS

Chairman HATFIELD. How do you define access to public library services?

Mr. KLASSEN. The Federal Government has not defined access. Access is defined by State and local libraries. In their reporting to us, the States provide their plans for library access. And it varies across the board. Access is sometimes described to us in terms of the total hours the library is open, the number of branches, the amount of per capita support, and the ways in which large libraries support access through cooperation with other libraries.

So, again, I want to stress these are local standards illustrating access. We merely collate the data and find that 96 percent have access.

Chairman HATFIELD. So, in effect then, the statistical data that you give us is really something that has not been evaluated in any kind of a criteria by your department. Anything that the local governments send in has access to library services or library services that are available, you accept that without any kind of a quantitative analysis or qualitative analysis? You have no criteria?

Mr. KLASSEN. The way we would place some quality control on this kind of effort would be to indicate that, to each State, they must submit to us a State plan as to how they plan to proceed with their program. And in doing that, they indicate to us what their criteria will be for access. In the basic State plan and in the long-range plan, they would present their criteria. We review those plans, but we do not, in the last analysis, dictate those criteria.

TIMELINESS OF DATA

Chairman HATFIELD. When was this data that you base these statistics on? As of what date? The 96 percent and the 94 percent you say, was it as of a month ago? Three months ago? Or when was this data——

Mr. KLASSEN. There was an evaluation of the Library Services and Construction Act by Applied Management Sciences, in which they evaluated the operation of the title I program through fiscal year 1979. In that evaluation, in which they, too, looked at the basic State plans, the annual programs, and the long-range plans that the States had submitted, they indicated, in their report submitted to us in January 1981, that 96 percent of the country had access to public libraries. So we had corroboration for those data in the evaluation study.

Chairman HATFIELD. 1979?

Mr. KLASSEN. The study was submitted in January 1981, and it included an analysis of data through fiscal year 1979.

Chairman HATFIELD. Then, this data is based primarily upon the material gathered in 1979, in the study. Do you have any more recent analysis of the needs of local libraries than this data that was gathered in 1979?

Why I ask the question I think is very obvious. For those of us who get out into the local communities on a very regular basis and talk with local officials, I have information that more and more libraries are either closing or on the verge of closing, or with hours of service being severely curtailed, fewer books being purchased, fewer periodicals being purchased, all reflective of the economy, which I am sure we all are very much aware of.

And what I am really asking, I suppose, is in a year, when libraries I think, just from my nonscientific survey, from just general information which I receive, are in the greatest need, your program is to excise that federal help that might really mean the difference between closing and keeping these libraries open. And I have a tendency to question your 96 and 94 percentage, which I think is very, very optimistic, perhaps to the point of being inaccurate in the light of the current day and for fiscal year 1983, in which we are really holding this hearing, is not only the rescission and supplemental area, but for fiscal year 1983. How realistic is your data in reference to the fiscal year which we are holding this hearing on and the realities out there in the library world?

Dr. SENESE. I would think it would be fairly accurate, Mr. Chairman. And some of the problems you cite, especially restrictions on hours and cutting back periodicals, may be just temporary conditions until the economy picks up.

But I think we will find, as the economy picks up, those hours will be expanded. I think the important thing is that those libraries are in place, and plus the fact that Federal funds overall represent a rather small percentage of support of the State and local libraries.

HELP NEEDED BY LOCAL LIBRARIES

Chairman HATFIELD. Would this be the time that they would need the help?

Dr. SENESE. I think they can get by without Federal help. We have seen access to libraries increase over the last 25 years, particularly with the support of the public library services program. In 1956, it was closer to 56 percent, compared to 96 percent today. I think it has maybe been a rough time, and we certainly realize the libraries are having a rough time. But they can survive and prosper, even without the Federal support.

Chairman HATFIELD. I guess that is really what I am asking, is how you arrive at that conclusion if it is on data based on 1979 reports. I think, frankly, that is out of date, considering the current situation and what we are facing in 1983, whatever the turnaround is going to be in the economy—and let's all pray that it will happen. The last I heard from the economic gurus, it will be May, April, or June.

Now, you and I know that library services are usually some of the first to be cut or reduced in community services, probably some of the last to be restored. I just think that, frankly, they are in greater need today than perhaps at any time since I have been on this committee. And yet this is the very time that the safety net is being pulled out from under them. Now, is that an accurate observation?

Dr. SENESE. I think it is a rather pessimistic observation. The thing is——

Chairman HATFIELD. Pessimistic?

Dr. SENESE. Yes.

Chairman HATFIELD. When did you last talk to a local librarian in a small community of 10,000 people?

Dr. SENESE. We do not deny that there is a problem. But I think if we look at the overall picture, particularly the progress we have made with programs over the last few years, I think it is a temporary situation that will improve once the economy picks up.

But I think, as we are looking toward a changing Federal role, we have evidence that this may be the time to bring that about.

FISCAL YEAR 1983 REQUEST TO OMB

Chairman HATFIELD. Dr. Senese, let me ask you, I suppose, the bottom line question. Is this the budget request that you presented to OMB? Does this represent your best analysis that you incorporated in your presentation to OMB? Or is this a budget request that was reviewed, and different instructions and new instructions were given to you? What was your initial request to OMB?

Dr. SENESE. We had to make a number of very difficult choices in the overall budget.

I would like to call on Sally Christensen to give more precise details.

Ms. CHRISTENSEN. Our original request to OMB last September was $58 million for these programs. However, that was at the original President's budget level of March 1981. We did not at that time foresee the outlay ceiling that we were going to be encountering in putting together the budget. Once that was worked out at OMB in conjunction with us, we worked very closely with them in setting up our priorities, and we, in fact, recommended cuts in those areas that would have the least impact on the State and local beneficiaries of our programs. And that is why we are recommending what we are today.

Chairman HATFIELD. So you asked initially for $58 million?

Ms. CHRISTENSEN. Yes; but the revised estimate was a joint agreement. This was worked out jointly between the Secretary and OMB.

Chairman HATFIELD. You dropped from $58 million to zilch?

Ms. CHRISTENSEN. That's right. It was a question of priorities within the outlay ceiling.

IMPACT OF BUDGET REDUCTION

Chairman HATFIELD. Let me, for the record, take from two or three lines here—The impact of the 1983 budget by the American Library Association: One, they observed that library services to orphanages, prisons, mental health institutions, and hospitals would end, eliminating library services serving 8 million persons; two, they estimate that delivery services which have extended library services to the elderly, the people in rural areas, will end; three, in West Virginia, innovative approaches to delivery services, library services to rural mountain communities have met with great success. However, without LSCA funds, training programs for staff, the books, and films, and even the telephone services would end; and, four, 151 major public libraries, already pressed to meet the demands of their primary clientele, may cease services to those outside the city limits, reduce hours of operation, or impose user fees in an attempt to make up for lost funds.

They have a whole list of other thoughts about the impact.

Do you have any comments to make on those assessments of what your 1983 budget will do to these particular areas in library services.

Dr. SENESE. Senator, I think we will find that the States and localities can reorder their priorities in order to provide services. Certainly school libraries, for example, will be able to be funded under the chapter 2. But despite these problems, when we talk about State and local funding versus Federal funding, we are talking about a 20 times over match. I think the States and localities will be able to meet these needs by reordering priorities. And I think probably there will be some evidence that they will do so in order to make this up, particularly in some of the rural areas.

IMPOUNDMENT OF LSCA FUNDS

Chairman HATFIELD. According to the February 5 General Accounting Office ruling the administration is illegally impounding part of the Library Services and Construction Act funds provided by the Congress in the continuing resolution for the first half of fiscal year 1982. On March 10, GAO reaffirmed its ruling. Based on the GAO ruling, have the funds now been released by the OMB?

Ms. CHRISTENSEN. Mr. Chairman, we are still operating under the Budget Impoundment and Control Act which authorizes us to propose recissions in our programs. As you know, the President sent up the recission on February 5. The court suit speaks to the legality of whether the Budget Impoundment and Control Act actually applies to certain education programs, and until that question is resolved by the courts, we are operating under the provisions of that act. We have not made that additional money available, but we know that we are legal in what we are doing right now.

Chairman HATFIELD. Let me quote from the Comptroller General of the United States who says: "Accordingly, it is our position that the Impoundment Control Act is not available to the executive branch for the purpose of withholding the funds in question."

Ms. CHRISTENSEN. In that opinion, he is referring to the words "the Secretary shall make available" in various portions of our laws, and we feel that those words referred to the allocation of the funds, State by State, rather than applying to the overall release of funds or providing an exception to the Impoundment and Control Act. We feel that when Congress passed that original act, there was no exception for education programs. In fact, over the past several years, we have had many precedents of sending up rescissions which Congress considered and either rejected or accepted. So we are doing the same thing right now, and until that is turned over in the courts, we are operating under the Budget Impoundment and Control Act, as enacted by Congress.

Chairman HATFIELD. You see the GAO has issued really two rulings to try to force you into this.

Ms. CHRISTENSEN. That's right.

Chairman HATFIELD. And you have ignored both of them.

Ms. CHRISTENSEN. OMB is working with them right now, and until we have a final ruling on that, as I say, we are still operating under that act.

Chairman HATFIELD. How many States have filed suit against OMB?

Ms. CHRISTENSEN. There have been seven States.

Chairman HATFIELD. Seven.

Ms. CHRISTENSEN. Seven.

Chairman HATFIELD. Do you have an assessment or any survey on the amount of additional local support that has been made available for library services to offset this Federal reduction or any program that is in effect to bring about such local resources?

Dr. SENESE. There are 44 States that have State aid programs, as mentioned. I think, with the reordering of priorities, the States would be able to provide some type of supplement. We do have a total of 44 States that have some type of State aid programs to libraries.

Chairman HATFIELD. How much warning did the States get that this would take place, this matter of excising the Federal program? When did they get the word on this?

Dr. SENESE. It was with the presentation of this budget.

NEW FEDERALISM

Chairman HATFIELD. You know, Dr. Senese, the President's announcement of new federalism I thought was a very exciting pronouncement, and I gave it immediate affirmative response in the public press, because it seemed to me this was the right direction to move. I think the President's concept is right, it is correct, but the thing that I think can do it more damage than anything else is this kind of an action, for the simple reason that the Governors, county officials, city officials with whom I have talked, and I have been asked by the President, and I have responded affirmatively to speak on behalf of the new federalism, but the thing that most seriously concerns those in the State and local levels is that we will be ignorant and insensitive to the transitional period necessary to move those responsibilities and the resources from the Federal level to the State and local areas. And this gives very great legitimacy to their concern. There has been no transition opportunity for the local and State governments to take on these additional responsibities to maintain a level of service. And very frankly, those services are being curtailed. I do not want to surprise you, but I do want to tell you from not only the American Library Association which has contacts with these institutions, but from my own personal contacts—I happen to be a bibliophile—I happen to be deeply interested in library services, and they have not had the time. They have not had an opportunity to develop other resources to supplement or to supplant these that are being eliminated.

I really feel, and I am going to personally discuss this with the President, that if the new federalism is going to get public support, things like this cannot happen because it undermines the credibility of the President of the United States. This action not only undermines the credibility of the President of the United States, it undermines the whole credibility of new federalism to announce in one fiscal year that these resources are going to be excised, not phased out, but excised, upon which local and rural and community libraries have depended.

Now you may argue the case that they should not have that dependency. That's not the point I'm making, but there has to be some kind of understanding given and some kind of a transitional period provided for these local entities that provide the base of our whole democracy for this literate and intelligent public. I need not recite to you Soviet history. What was one of the first things the Bolsheviks did after the revolution? Well, one of the first things they did was to develop literacy and library facilities. Now we may argue, of course, what they had in the libraries and what kind of information the people had access to, but that was certainly a tool of revolution. Let me remind you that the Bolshevik Revolution did not begin with Lenin's return to Petrograd, it began in the British Museum library. That is where the revolution began. It was when Mr. Marx' writing, was in the resources of the British Museum library. Any revolution in the future and any progress is going to begin with ideas that will be found in the availability of resources of libraries.

Well, that is another subject. But my only point is that the new federalism that I have great expectations can become one of the hallmarks of the Reagan administration, to be meaningful and effective, it has to provide for transitional time and cooperation and support from the Federal Government to get these services returned back to the local communities. And Lord only knows, I am one who would jealously guard the diversity and the freedom of libraries, and I do not want to establish a Federal norm. I do not want to establish Federal book lists that have to be in all libraries. I want the total freedom to stock their shelves in every local community without Federal compliances, but by the same token, I do think that I delineate between that and the resources that have been made available through the library programs that help to bring some of your statistical data about, the 96 percent, 94 percent of rural areas. But I do not think it would have happened without Federal library services.

I just hope that somehow the Congress can be the arbiter in this between OMB, and I know you get caught in that little hassle between what you request and what OMB then imposes upon you. Maybe instead of the President, I ought to talk to Mr. Stockman about this problem. Maybe to make sure I will talk to both of them.

RESEARCH LIBRARIES

One last question I have for you. According to the Department of Education, fiscal year 1981, 41 major research libraries, and I delineate here research libraries, seek Federal library grants to provide special library materials, to initiate specialized research projects and promote cooperative activities. The Department estimates that since this program was first funded in fiscal year 1978, over 60,000 items have been preserved. A national bibliographic control system has been initiated and there are cooperative activities between research libraries.

The administration's fiscal year 1983 budget would end funding for this program. How likely is it that funds would be available from other sources of Federal funding if this program is terminated?

Dr. SENESE. I think there is a strong possibility that it can be. Most of those collections are housed in colleges and universities. I think there is a strong possibility that colleges and universities could get funding from other resources to those collections. At the same time, I think there is the possibility of some foundation grants that could be attracted, in order to preserve some of those collections.

CONCLUSION

Chairman HATFIELD. Do you have any other comments, any of you folks, about this?

Dr. SENESE. I would just like to make a concluding comment. I realize it is a difficult time, but I think if we were talking about Federal support for libraries in the range of 40, 50, or 60 percent of the total, it would be a much more serious problem. I do think that the Federal programs have provided stimulus, but overall, the total funding for libraries is still 13 percent from States and 82 percent from local sources. I think that, especially when the economy improves, they can pick up that slack.

Chairman HATFIELD. Now will there be a general reduction in your staff, in your agency to correspond to this reduction in services to local areas?

Dr. SENESE. Yes, there will be.

Chairman HATFIELD. All of you will be excised? How many or what percentage?

Ms. CHRISTENSEN. Approximately 40 people.

Chairman HATFIELD. Out of a total of?

Ms. CHRISTENSEN. Out of a total of 40.

Chairman HATFIELD. I can't help but make a little comparison here this morning on what I think is one of the great strengths of the Nation, it's libraries. An M-1 tank gets 4 gallons of gasoline to the mile, and I am told an average bookmobile carrying 4,000 books gets 4 miles to the gallon, just sort of a little comparison to make. [Laughter.]

I appreciate your testimony. I appreciate the position you are in, and who knows, we may be able to work out something to extend your longevity in this position. [Laughter.]

Dr. SENESE. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PUBLIC LIBRARY SERVICES

Question: According to that study completed by Applied Management Sciences for the Department of Education, there are clear indications that the extension of public library services to underserved areas and populations is dependent on the continued funding of the Federal public library program. The study concluded that "withdrawal or redirection of these funds would be expected to cause considerable setbacks and reductions in levels of service." Did you consider the findings of this study when you proposed to zero-fund the Public Libraries program? If so, do you disagree with the findings of the Applied Management Sciences study?

Answer: Our decision was based in part on the findings of the Applied Management Sciences study. We recognize the impact the withdrawal of funds will have on library services. However, due to the severe inflationary and budgetary circumstances, all education programs were scrutinized in the context of the President's overall budget reform plan to curtail Federal government spending.

The AMS study noted the success of this program in promoting many new public library services which are now considered basic. The Administration feels that State and local governments will continue their responsibility for the provision of public library services without the Federal incentive they have had for the past 25 years.

IMPORTANCE OF PUBLIC LIBRARIES

Question: In your view, how important is the availability of adequate public library services to the intellectual growth of the American people?

Answer: Adequate public library services make a substantial contribution to the intellectual growth of society. During the past 25 years, more than $2 billion in Federal funds has been used to provide increased access to public library and information services in areas where services were inadequate through the Public Library Services program. In 1956 when Federal aid was initiated, 940 counties were without library services. Today only 290 counties in sparsely settled areas are without services. Federal aid has provided the seed money that has helped establish public library access for 96 percent of the country's population. State and local governments continue to provide the basic library services to the American people.

Question: Why are you proposing to eliminate all Federal involvement in public libraries?

Answer: As part of the Administration's attempt to reduce overall spending, we are proposing the elimination of all direct Federal involvement in public libraries. The proposal is based on the recognition that State and local governments have the capacity to assume responsibility for the provision of basic library services. In addition, the Public Library Services program has been highly successful in stimulating extension of services to underserved areas, for which the local libraries always have had the basic responsibility.

Question: Are library services any less important to the educational process of our Nation than other education programs emphasizing literacy or other culturally enriching programs in the arts and humanities in which the Federal Government plays a small but significant role?

Answer: The Administration adopted the overall strategy that no funding for any library programs would be requested on the basis that State and local governments have the capacity to assume responsibility for the 5 percent of the Federal funds that now reach libraries. Basic library services have always been the responsibility of State and local governments, whereas the arts and humanities have a less traditional funding base.

SPECIAL POPULATIONS

Question: How are library funds being utilized by States to serve special populations such as the elderly, handicapped and institutionalized? Can you cite some examples of successful programs?

Answer: In FY 1980, an estimated 28 percent of the Public Library Services program funds were used to support specific projects for the elderly, blind and physically handicapped, State institutionalized, limited English-speaking, and the disadvantaged persons. Some examples of projects in these areas follow.

Elderly: At Agnews State Hospital (California) LSCA funds were used to support a foster grandparents program for working with the children in a therapy program.

The Stillwater (Oklahoma) Public Library funds projects run by library volunteers which include an information and referral service, visits to the elderly, telephone reassurance and checks, volunteer repair of minor home problems, and transportation to special programs. The promotional aspects of the grant include a sheet for new residents announcing community services.

Physically Handicapped: A Kurzweil reading machine at the New York State Library enables blind persons to take Civil Service exams on the same basis as sighted citizens. A recently blinded student in Albany completed his university degree in social work with help from his library which made available talking books and the Kurzweil machine. The machine is a mini-computer and optical scanner that produces synthetic speech which reads for the blind person.

The National Theater of the Deaf is developing for the Queensborough Public Library storytelling programs in mime, voice and sign language as part of the library's services to the deaf.

State Institutionalized: Duerson-Oldham County (Kentucky) Public Library received support for library service to 3 institutions; also added professionals to the staff to run the libraries. The Ashland Youth Development Center set up a library and received funds to cover 50 percent of staff salaries. And the Kentucky School for the Blind received funds to support library services for multiple-handicapped children.

Limited English-speaking: The Bethlehem (Pennsylvania) Public Library hired a Spanish-American librarian, whose professional enthusiasm and ability to communicate with the Spanish community were key factors in a variety of programs at the library which reached a 65-year-old native of Puerto Rico who had moved to Bethlehem in 1979. In Puerto Rico he had been a justice in the Puerto Rican court system. He had some knowledge of English, but needed additional help. He could not read well enough to take his driver's test, so he enrolled in the library's LSCA funded program to improve library services to the Hispanic community. He improved his English, qualified for his driver's license, and is now enrolled at the local community college taking advanced English courses and feeling good about conversing with others and being able "to read the signs on the bus."

Disadvantaged: The Cuyahoga County (Ohio) Public Library provided job information to clients and formed a career and educational cooperative network among public libraries, colleges, universities, and other agencies and institutions in greater Cleveland. The project served five categories of adults: yound adults who needed assistance because of the tight job market; homemakers who had never worked outside the home; employed persons seeking career change; individuals who had lost their jobs and were trying to work out a job search strategy; and older persons, not yet retired, seeking second careers. A career specialist was hired to provide consultation, conduct seminars, and hold resume writing clinics. An information librarian was responsible for collection development, production of job search materials, and the organization of information for an interagency directory.

Question: To what extent are public library funds being used for general aid instead of being targeted toward special needs groups such as the elderly, handicapped, institutionalized, etc.?

Answer: According to a recent evaluation of the Public Library Services program, approximately 28 percent of the annual appropriation is spent by the States on library services for special population groups, approximately 13 percent is directed to urban and State libraries, and approximately 4 percent is used to administer this and the Interlibrary Cooperation programs. The remaining amount, about 54 percent,is used by the States to improve and extend access to library services.

FEDERAL REGISTER AND LIBRARIES

Question: Do you expect the proposed increase in subscriptions for the Federal Register from $75 to $300 annually to place a serious hardship on library budgets?

Answer: We do not have any exact data on the impact of the increase in subscription rates on library budgets. The final decision on how to respond to this issue rests with State and local library agencies. Such an increase will require some adjustments by the libraries that subscribe to the Federal Register, such as making it available at a central location within a library system or initiating some other type of cooperative arrangement.

Question: Do you expect that many libraries will be unable to subscribe because of the 300 percent increase in cost?

Answer: It is reasonable to expect that some libraries will not subscribe to the Federal Register because of the increase in subscription rates. Again, this will be decided at the State and local level, so we do not have any data on how many libraries will terminate their subscriptions at this time.

COST OF MATERIALS

Question: To what extent has the cost of books, periodicals, and other equipment crucial to libraries increased in recent years?

Answer: Since 1976 the average cost of hardcover books has increased 40 percent to $24.33 and the average annual cost of subscriptions to journals 53 percent to $34.54. As we all know, the costs of library equipment has increased as it has for all businesses. We have no specific cost estimates here.

Question: Have States and localities increased their support for public libraries accordingly?

Answer: States and local governments have been struggling to keep up with the inflationary pressures on all goods and services. We note that the amount appropriated by States for aid to public libraries in FY 1980 was $180.8 million, with 44 States having State-aid programs. Before this program began, only 23 States had State-aid programs amounting to $5 million. Total State and local expenditures for public libraries now amount to $1.3 billion, a significant level of support.

PUBLIC LIBRARIES--EFFECTS OF OTHER CUTS

Question: In what ways have public libraries been affected by changes in other Federal programs such as cuts in CETA and the National Endowment for the Humanities, and the recent 33 percent increase in the fourth class postal rates, among other factors which alter the operating budgets of public libraries?

Answer: Many public libraries used CETA funds for programs to serve special needs and to extend services. For example, the Public Library of Columbus and Franklin County, Ohio, employed an ex-minister with CETA funds to head up its division for the handicapped. Two CETA staffers at the Seattle Public Library developed an electronic gadget to tutor citizens with speech impairments. CETA workers were able to prepare the online circulation system for the Pasadena (Texas) Public Library. Many of the employees who were involved in these programs have been permanently placed on the public library payroll. The intent of CETA was to develop strong training programs so that there would be viable jobs at the end of the work experience. Often this did not happen, so that the impact of the CETA cutbacks will be felt by libraries. The Department of Labor does not have data on the specific amount of CETA funds used or the number employed in public libraries which will have to be cut.

The NEH funds often supported special lecture series and programs in public libraries. Obviously, the NEH cuts will affect the extension of these efforts.

The increases in postal rates will hit hard the operating budgets of public libraries which depend on the mail for resource sharing programs such as Books-by-Mail and other interlibrary loan activities.

INTERLIBRARY COOPERATION

Question: A recent study prepared for the Department of Education reported that the Interlibrary Cooperation program has been a major influence on State legislatures to modify or enact legislation favoring cooperation and networking. The report states that the Interlibrary Cooperation program has been a driving force behind the installation of telecommunication linkages among public, academic, and special libraries. What will be the effect on these activities if the program were terminated?

Answer: It is felt that States now have the capability to maintain these linkages for which the Federal funds were helpful in paying the initial start-up costs. The cost-saving efficiencies promoted by this program should be maintained or, in some cases, expanded by State and local governments seeking more efficient ways to provide library services among all types of libraries.

COLLEGE LIBRARY RESOURCES

Question: For what purposes do most colleges use Federal college library funds?

Answer: Most colleges use these funds to improve their library holdings through the acquisition of library materials such as books, periodicals, documents, and audiovisual materials. In addition, funds may be used to pursue networking activities that result in the sharing of resources between institutions of higher education.

Question: What effect would eliminating this program have on the quality of college libraries?

Answer: The termination of the College Library Resources program will have very little effect on the overall quality of the Nation's college libraries. The size of the awards made under this program has been too small for the past few years--$1,200 in FY 1981--to have a significant impact on the library collections of most colleges and universities.

Question: To what extent has the College Library Resources program helped college libraries to receive accreditation?

Answer: We estimate that this program helped approximately 200 institutions--mainly junior colleges--receive accreditation in the 1960s.

Question: Do you expect that the Administration would look more favorable on this program if the law were changed so that college libraries would receive funds based upon financial need?

Answer: The fact that this program did not make awards according to the needs of the institutions was only one part of the Administration's decision to terminate the program. Termination of the program is also proposed as part of the Administration's effort to curtail funding for such small, marginal, discretionary grant programs.

LIBRARY CAREER TRAINING

Question: How successful has the Library Career Training program been in increasing the number of minorities and economically disadvantaged persons in the library and information science professions?

Answer: The fellowships awarded under the Library Career Training program are targeted to the economically disadvantaged. For the past 10 years over 60 percent of these fellowships went to members of minority groups, and in FY 1981 minorities received over two-thirds of the fellowships.

Question: How many graduate degrees will be awarded in FY 1982 under this program?

Answer: The FY 1982 awards for this program will be made on April 30, 1982. We expect to support 71 fellowships for students pursuing graduate degrees.

Question: Why are you proposing to eliminate this program?

Answer: There are two reasons for the proposed termination of this program. First, we believe there is an adequate supply of professional librarians to maintain the present quality of library services in the Nation. Second, the Administration is eliminating a wide array of discretionary and categorical grant programs as part of the plan to transfer education-related activities to State and local governments.

RESEARCH AND DEMONSTRATIONS

Question: How have public library services been improved as a result of the Library Research and Demonstrations program?

Answer: Over the past several years the Library Research and Demonstrations program has had several hundred thousand dollars annually to modernize practices and introduce technological change in public libraries.

Question: Can you cite some specific examples?

Answer: A project at Portland State University in Oregon, "Creating an Optimum Environment for Handicapped Children in Libraries and Media Centers," focused on the media-related needs of handicapped children and translated these needs into a set of models and procedures for school and public library personnel to follow in serving the handicapped child. In another project, "A Systems Analysis of Southwestern Spanish-Speaking Users and Nonusers of Library and Information Services," public library systems in eleven cities in Arizona, California, Colorado, New Mexico, and Texas were surveyed to determine who in the Hispanic community used the public library, what benefits they derived or did not receive, and how best to meet their needs. A project entitled "Criteria of Effectiveness for Network Delivery of Citizens Information Through Libraries" is ascertaining the use and extent of success of library networks/consortia to meet citizens' needs for consumer information and will develop a model based on hard data and an earlier study in New England.

Question: Why are you proposing to eliminate this program?

Answer: The termination of this program is based on the Administration's efforts to reduce Federal involvement in many of the discretionary categorical grant programs.

RESEARCH LIBRARIES

Question: In the Department of Education's evaluation of programs for FY 1981, it is reported that with regard to the Research Libraries program, "Data provided through interim program reports indicate that interlibrary loan transactions have increased substantially as a direct result of the research library program support. Such activity means that research and scholarship throughout the Nation will benefit because of the provision of resources which otherwise would not have been available." What other contributions has this program made at the national level?

Answer: The program has accelerated networking activities by adding thousands of new entries into national data bases. These new entries are constructed on the basis of high national standards and, because of increased access to these bibliographic records, other academic and research libraries use them and avoid duplicating the cataloging effort. The program has also supported several major preservation projects, a critical area of need in the research libraries. Hundreds of valuable and unique resources (in danger of deterioration or too damaged to loan out) have been repaired or microfilmed and are now accessible. And, a model library conservation and preservation center has been developed at the Huntington Library in California for others to emulate. Finally, the program has supported several major universities with vast serials and periodical holdings to assist in converting their bibliographic records based on the standard established by Library of Congress placing them into a national data base. This not only increases accessibility of previously inaccessible material, but also provides a cataloging standard for all other libraries.

Question: In what ways is the program cost-effective?

Answer: As indicated above, bibliographic activities based on high professional standards and entered into national data bases eliminate the need for hundreds of libraries to duplicate the cataloging and classification of commonly held resources, thus saving valuable professional and clerical time. Also, many libraries have entered into cooperative arrangements whereby acquisitions are shared, planned and managed on a joint basis, with each library emphasizing a subject area thus avoiding costly duplication. And the utilization of modern technology as applied to duplication and transmissions of library resources and records avoids costly travel, telephoning, and searching.

Question: Why do you want to eliminate this program?

Answer: As indicated earlier, termination of the Research Libraries program is proposed as part of the President's overall budget reforms. This program has provided support to many of the larger, well-endowed research institutions for the development of highly specialized research collections. Private and other public sources of funds are available to supplant the Research Libraries program funds.

VOCATIONAL AND ADULT EDUCATION

STATEMENT OF ROBERT M. WORTHINGTON, ASSISTANT SECRETARY FOR VOCATIONAL AND ADULT EDUCATION

ACCOMPANIED BY:

PAUL V. DELKER, DIRECTOR, DIVISION OF ADULT LEARNING PROGRAMS

LE ROY A. CORNELSON, DIRECTOR, DIVISION OF STATE VOCATIONAL PROGRAMS

GARY L. JONES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

SUBCOMMITTEE PROCEDURE

Chairman HATFIELD. Now we will hear from witnesses regarding the budget for vocational and adult education, Dr. Robert Worthington, Assistant Secretary for Vocational and Adult Education.

PREPARED STATEMENT

Dr. Worthington, would you please introduce the newcomers to your panel and then proceed to summarize your statement. We will place the full text of your statement in the record.

[The statement follows:]

STATEMENT OF ROBERT W. WORTHINGTON

I welcome this opportunity to appear before you today to discuss the fiscal year 1982 rescissions and the fiscal year 1983 budget for vocational and adult education. These programs, by contributing to the formation of a skilled and literate work force, play a major role in the Nation's economic well-being.

For fiscal year 1982, a rescission of $105,741,000 below the continuing resolution level of $739,666,455 is requested. The rescission is part of the President's overall budget reform plan to curtail Federal spending and thereby control one source of inflationary pressure.

Nearly $104 million of the rescission is for vocational education, leaving a total of $549,445,455 available for this program. The rescission will only slightly affect the level of services in vocational education, due to the high percentage—just over 90 percent in 1980—of non-Federal support for this program. At the fiscal year 1982 rescission level, over 17 million persons would be served in vocational education.

A $1,920,000 rescission is requested for adult education, leaving a total of $84,480,000 available for this program. The effects of this rescission on adult services, though more pronounced than in vocational education, will still be minimal, due to a growing percentage—43 percent in 1980—of non-Federal support for this program. At the fiscal year 1982 rescission level, from 1.7 to 2 million persons would be served in adult education.

For fiscal year 1983, $500 million is reserved for the proposed vocational and adult education consolidation, which will be submitted to Congress very soon. The decrease in these programs, $133,925,455 below the revised fiscal year 1982 level of $633,925,455 is less severe than the average reduction in all education programs. The fiscal year

1983 budget for vocational and adult education also reflects two themes common to the foundation: consolidation and research and development.

The administration will soon present to Congress its plan to consolidate existing vocational and adult legislation into simplified block grants to the States. This legislation is intended to increase State and local flexibility in the use of Federal funds and to reduce administrative burdens at all levels of government. Part of this consolidation will include small reserves for national programs of applied research, development, dissemination and evaluation, designed to improve the quality and effectiveness of vocational and adult education, especially in the area of skilled work force training. This will be an important component of the research activities in the Foundation for Education Assistance.

Thank you, Mr. Chairman. My colleagues and I will be happy to respond to any questions you and the committee may have.

INTRODUCTION OF ASSOCIATES

Dr. WORTHINGTON. Thank you, Mr. Chairman. Accompanying me on my left is Dr. Gary L. Jones, Deputy Under Secretary for Planning, Budget, and Evaluation. To my immediate left is Dr. LeRoy A. Cornelson, Director, Division of State Vocational Education Programs, and on my right is Paul V. Delker, Director, Division of Adult Learning Programs.

I welcome the opportunity to discuss the fiscal year 1982 rescissions and the fiscal year 1983 budget for vocational and adult education. These programs, by contributing to the formation of skilled and literate work forces, play a major role in the Nation's economic well-being.

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For fiscal year 1983, $500 million is reserved for the proposed vocational and adult education consolidation, which will be submitted to Congress very soon. The decrease in these programs, $133,925,000 below the revised fiscal year 1982 level of $633 million, is less severe than the average reduction in all education programs. The fiscal year 1983 budget for vocational and adult education also reflects two themes common to the foundation for education assistance: consolidation and research and development, plus dissemination.

The administration will soon present to Congress its plan to consolidate existing vocational and adult legislation into simplified block grants to the States. This legislation is intended to increase State and local flexibility in the use of Federal funds and to reduce administrative burdens at all levels of government. Part of this consolidation will include small reserves for national programs of applied research, development, dissemination, and evaluation designed to improve the quality and effectiveness of vocational and adult education, especially in the area of skilled work force training.

This will be an important component of the research activities in the proposed Foundation for Educational Assistance.

Mr. Chairman, if I might take a few minutes to illustrate our budget request graphically, I would like to ask our budget officer to hold up some charts.

[The chart follows:]

CHART NO. 1—FOUNDATION FOR EDUCATION ASSISTANCE—1983 BUDGET: VOCATIONAL AND ADULT EDUCATION APPROPRIATION

[In millions of dollars]

	1982			1983 President's budget
	Third continuing resolution	Revised request	Rescissions	
Vocational and adult education consolidation—Proposed legislation				500
Adult education grants to States—AEA	87	85	-2	
Vocational education—VEA	653	549	-104	
Total	740	634	-106	500

Dr. WORTHINGTON. Chart No. 1 shows our request of $500 million for the proposed vocational and adult education consolidation for fiscal 1983. For the 1982 budget, we are requesting a rescission of $2 million for adult education grants to States, which would reduce funding to $85 million from the $87 million under the Third Continuing Resolution.

For vocational education in 1982, we are requesting a rescission of $104 million, which would reduce the 1982 budget to $549 million from $653 million. You may recall, that this rescission was the level proposed in September 1981 by the President.

[The chart follows:]

CHART NO. 2—FOUNDATION FOR EDUCATION ASSISTANCE—1983 BUDGET: VOCATIONAL AND ADULT EDUCATION APPROPRIATION

[In millions of dollars]

	1982			1983 President's budget
	Third continuing resolution	Revised request	Rescissions	
Vocational and adult education consolidation—Proposed legislation				500
Adult education grants to States—AEA	87	85	-2	

CHART NO. 2—FOUNDATION FOR EDUCATION ASSISTANCE—1983 BUDGET: VOCATIONAL AND ADULT EDUCATION APPROPRIATION—Continued

[In millions of dollars]

	1982			1983 President's budget
	Third continuing resolution	Revised request	Rescissions	
Vocational education—VEA:				
Basic grants	497	395	-102	
State program improvement grants	90	88	-2	
Programs of national significance	7	7		
Special programs for disadvantaged	14	14		
Consumer and homemaking education	29	29		
State advisory councils	5	5		
State planning	4	4		
Permanent appropriation	7	7		
Subtotal	653	549	-104	
Total	740	634	-106	500

Dr. WORTHINGTON. Chart No 2 gives an overview and breaks down the vocational educational request into the various sections of the present legislation. You will note across the top that adult education grants to the States is reduced to $85 million.

Under the Vocational Education Act, section 120, basic grants to the States, we are requesting a rescission from $497 to $395 million. This is where the major share of our proposed 1982 rescission is located.

Under State program improvement grants, section 130 of the present act, we are requesting a rescission of $2 million, reducing that program to $88 million.

We are not requesting any change in the programs of national significance, which is at the $7 million level.

We are requesting that special programs for disadvantaged, a 100-percent federally funded program, remain at $14 million.

Consumer and homemaking would remain at $29 million; State advisory councils would remain at $5 million; and State planning grants at $4 million.

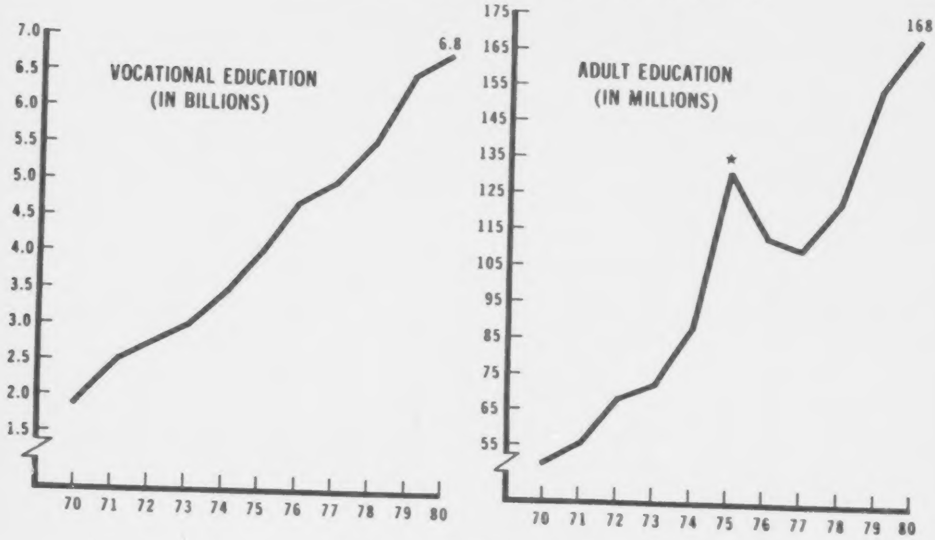
The permanent appropriation under the Smith-Hughes Act would be left at $7 million.

Chart No. 3.

[The chart follows:]

CHART NO. 3

TOTAL EXPENDITURES (FEDERAL, STATE, LOCAL)



* The 1975 figure is high due to the expenditure of approximately $23 million of impounded funds from 1973.

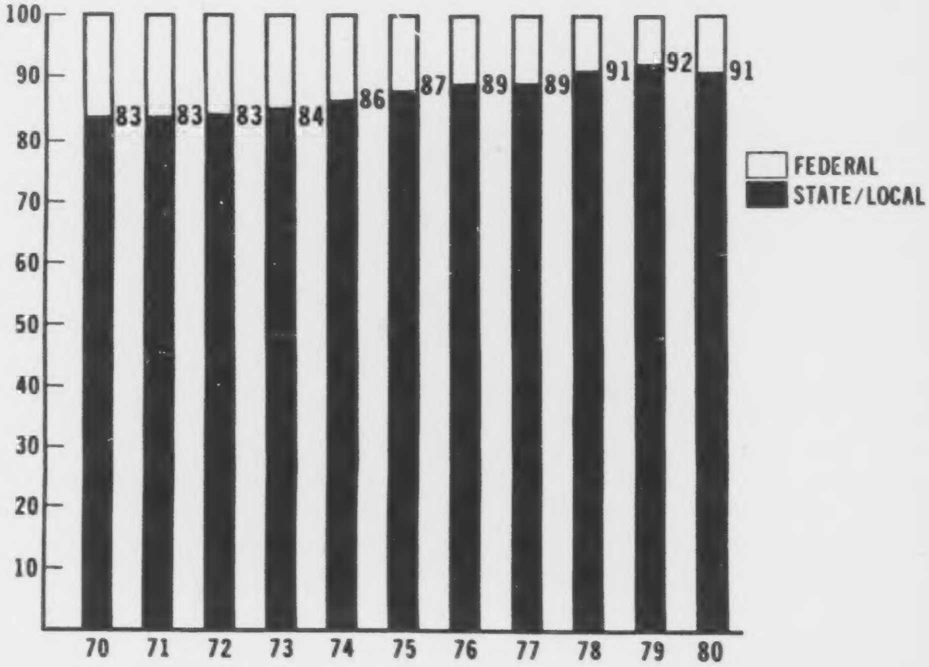
Dr. WORTHINGTON. This chart shows graphically the growth of Federal, State, and local funding over the years. You will notice on the left hand side of the chart that for vocational education, the total expenditure of Federal, State, and local dollars has increased since 1970 and in 1980 was nearly $7 billion. We estimate that amount will approach about $8 billion in 1982. You will note on the right-hand side, since 1970 adult education's total expenditures—from State, local, and Federal sources—have increased to approximately $168 million in 1980, up from $55 million in 1970.

I want to show you, on chart 4, the relationship of Federal, State, and local expenditures in vocational education.

[The chart follows:]

CHART NO. 4

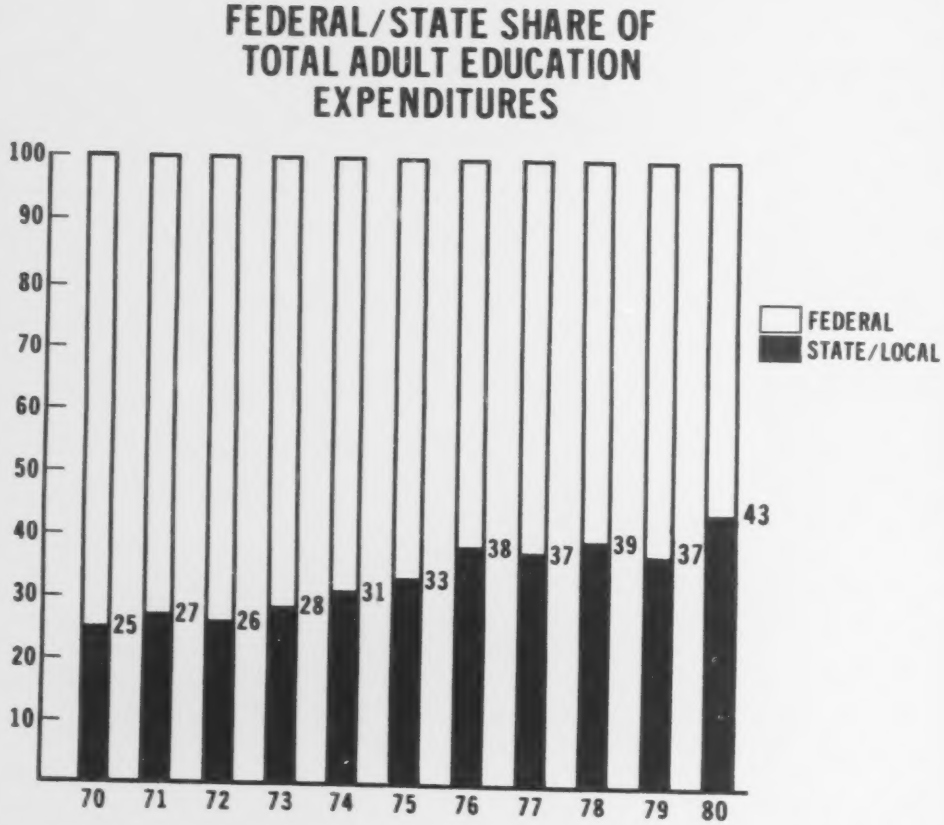
FEDERAL/STATE SHARE OF TOTAL VOCATIONAL EDUCATION EXPENDITURES



Dr. WORTHINGTON. During 1970 in vocational education, approximately 83 percent of the funding came from State and local sources and 17 percent from Federal sources. In 1980 State and local resources accounted for 91 percent of the funding, while the Federal Government accounted for only 9 percent of the funding.

[The chart follows:]

CHART NO. 5



Dr. WORTHINGTON. For adult education in Chart No. 5 you will note that in 1970, there was approximately 25 percent funding from State and local sources, while 75 percent was Federal. The State and local share has increased to 43 percent in 1980, while 57 percent is Federal.

That Mr. Chairman, is a quick overview——

Chairman HATFIELD. Are those figures adjusted for inflation?

Dr. WORTHINGTON. No, sir, they are not. We are prepared now, Mr. Chairman, to answer any questions that you may have.

RATIONALE FOR THE REDUCTIONS

Chairman HATFIELD. Would you relate for the record, I believe you indicated earlier that more than 90 percent of the participants who complete vocational education training are successful in obtaining employment. Would you relate the rescissions and your reductions to the high-unemployment rate which plagues the country today and why are you proposing the major rescission in 1982 of $104 million and even greater reductions in fiscal year 1983 of $232 million for vocational education programs at this particular time, in light of the high unemployment and the economic distress that we have?

Dr. WORTHINGTON. The basis for our request to reduce Federal funding is in line with the President's overall goals of reducing Federal spending, improving the economy, and bringing inflation down. That is the basis for our request. Vocational education, I might add, is taking a relatively smaller share of the total cut in education programs.

Chairman HATFIELD. Not all Federal spending, not reducing all Federal spending.

Dr. WORTHINGTON. Reducing educational spending.

Chairman HATFIELD. Yes.

Dr. WORTHINGTON. I'm only responsible for making recommendations——

Chairman HATFIELD. But you said the President's policy of reducing all Federal spending.

Dr. WORTHINGTON. I should have said all educational spending.

PROGRAMS THAT PAY BACK

Chairman HATFIELD. Military spending will have increased 49 percent from the last full-year Carter budget to the first full-year Reagan budget. Military spending will have increased 49 percent, whereas all other nondefense expenditures will have diminished by some 12 percent. So I think we ought to make that distinction.

Is there anywhere in the administration, to your knowledge, where an assessment is being given to the qualitative relationships of reductions to the economy? And why I ask this question is, as they used to call the legislature's approach to percentage reductions across the board when I was Governor, as the "meat-axe approach" to reduction of expenditures and budgets, because some programs contribute to the economic strength and upturn and especially as a stimulus.

Let me illustrate. There are very few agencies that contribute money back to the Federal Government's Treasury. Forestry is one of those programs. By the sale of stumpage, it actually brings money into the Federal Treasury. So reductions there that can prepare for timber sales would not really be a qualitative reduction, especially at a time when you want higher revenues. They come in here and argue if we will give a higher budget request to the IRS, they can more than offset that higher budget for personnel by the new collections that they can make with adequate personnel. That is a qualitative factor.

My question is, In light of the high-unemployment rates we have today and the demand for technical vocationally trained people, is any reduction a wise budgetary move?

Dr. WORTHINGTON. We have reason to believe, Mr. Chairman, that this reduction—which represents only 2 percent of the total expenditure for vocational education in this country due to the relatively small Federal input—will have very little effect on programs. In your own State of Oregon, the State overmatches Federal funds 9 to 1. So this relatively insignificant request that we are making, of 2 percent from the total expenditure, will not have a negative effect on vocational education. Also, we believe that our proposal for a new type of legislation, which would remove a great deal of red tape, for example, a great deal of the requirements that the States must now meet, will make the 1983 budget have nearly as much impact as the 1982 budget.

SHORTAGES OF SKILLED WORKERS

Chairman HATFIELD. Dr. Worthington, that is good in theory. Perhaps we should be increasing, not decreasing by 2 percent, but perhaps we should be increasing at a time particularly when there are huge deficits at the State level that cannot any longer, perhaps, live up to some of these commitments in vocational education training.

Have you looked at the New York Times on Sunday or another major newspaper and seen the want ad columns?

Dr. WORTHINGTON. Yes, I have.

Chairman HATFIELD. That tells me something. These are people not who are asking for employment, these are people who are seeking employees in a time of economic downturn, but with skills that are not evidently available in the marketplace.

Now somehow that just does not make sense to me. We find that in an economic downturn, and an increasing unemployment rate, there are pages upon pages in any major metropolitan newspaper asking people to come to work.

Dr. WORTHINGTON. That is correct. We are well aware of that. We think we do have a problem with mismatching of the trained personnel for the jobs, but we do have a delivery system in place, a considerable amount of which was put in place by the Federal contribution in the 1960's and 1970's. This delivery system is in place and can deliver the training for those jobs. We think it will.

Chairman HATFIELD. Dr. Worthington, there is changing of the guard at this moment. Senator Andrews has very graciously agreed to take over, so that I may go to another meeting. We have to rotate in some instances. I am very sorry to have to leave at this point. I want to thank you for your testimony.

Dr. WORTHINGTON. Thank you, Senator Hatfield. I have done business in your State many times, particularly at the Community College in Portland. A friend of mine ran that college, and they have some excellent vocational facilities there. Thank you for the privilege of being with you.

Chairman HATFIELD. Thank you.

I again want to emphasize my strong commitment to this program. We had a long-time superintendent of public instruction who passed away, and it was my duty to appoint a new one, and I deliberately sought out a man who was well-known for his vocational/technical educational skills and background, Dr. Leon Minere. You probably remember.

Dr. WORTHINGTON. Yes.

Chairman HATFIELD. And I appointed for the first time in the history of my State, the man who had that background because I felt for too long our elementary, secondary, particularly our secondary school systems had neglected vocational/technical education. We developed an educational snobbery that everyone was preparing for college prep in the liberal arts programs, and I happen to be a product of liberal arts and believe very deeply in it, but at the same time not to the neglect of our vocational/technical training.

One other reason why I launched a community college system in our State that would give emphasis upon vocational technical training, is because I think it is a good investment. I do not know of any dollar that gets more immediate return to the total society than that dollar that we put into vocational/technical training, because those graduates coming out, as you indicate in your testimony, are picked up pretty quickly in the job market, which is waiting for them.

EFFECT OF CONSOLIDATION ON THE STATES

Senator ANDREWS [presiding]. I just came from the DOD Subcommittee, and he probably would have liked to have been there, on vocational education, of course. As the chairman of the full committee has pointed out, it is very popular in Oregon, as well as in North Dakota and across the Nation. In fact, I think our State, and we're proud of it, has one of the best vocational education systems in the Nation. This explains why we have had a big response from letters and phone calls opposing the proposal to shift responsibility for vocational education to the States. Many of the people who contact me and contact my staff have said that they feel the Nation is facing a massive skilled worker shortage, and the vocational education system is already experiencing difficulty in meeting the demand. They feel that Federal funding is necessary for these programs to stay current with changing technology and changing job requirements.

Exactly how will the States be affected by this consolidation that is being talked about?

Dr. WORTHINGTON. We think the States will be affected positively. Our consolidation proposal will turn back the major decisionmaking to the States and will eliminate a lot of the prescriptive language we have in the present legislation, which places numerous and costly requirements on the States, such as elaborate State planning requirements. The cost to States just to meet the Federal requirements for planning ranges as high as $250,000 per State, with some States even higher than that per year to revise the State plan and to prepare a 1- and 5-year plan.

We also now have many other restrictions, such as requiring State advisory councils and requiring certain kinds of staff in their State offices. Our reauthorization proposal will eliminate those requirements. We are shortly going to submit that proposal. We will still have the opportunity to place considerable emphasis on economic development and on skilled work force development. In this proposed legislation, subpart 1 is totally devoted to economic and skilled work force development. Subpart 2 will work with the States to improve their vocational programs, but will allow them to use Federal funds in the ways they want to use them. Subpart 3 will support adult basic education.

We feel that by consolidating vocational and adult education we can produce as much training activity and as many students as we have in the past.

IMPACT ON SPECIAL NEEDS POPULATIONS

Senator ANDREWS. Are there certain groups that will be hit harder than others with this consolidation? Let me phrase it another way.

Which special groups protected by statutory set-asides would no longer be guaranteed vocational and adult education services under the newly proposed legislation?

Dr. WORTHINGTON. There are currently statutory set-asides for the handicapped, for the disadvantaged, and for the postsecondary vocational programs.

Senator ANDREWS. Which of the set-asides would not be eliminated?

Dr. WORTHINGTON. We do not have any of those set-asides in our reauthorization proposal.

Senator ANDREWS. In other words, you will eliminate all the set-asides?

Dr. WORTHINGTON. Yes; the States would then have the option of putting the money where they believe it is needed. If they needed 20 percent for the handicapped, they could use it that way. This would give the States the flexibility which they feel they need. We have discussed this issue in considerable depth with State directors including your own Carroll Birchenall, who has been chairman of the State directors' association. I think the State directors have responded positively.

Senator ANDREWS. You don't have enough Carroll Birchenalls around this country, but to what extent do you believe that the States and localities would continue to support Federal priorities without having them as requirements?

Dr. WORTHINGTON. We believe to a great extent, that they would——

Senator ANDREWS. Do you know for sure?

Dr. WORTHINGTON. What the States will do, of course, I cannot say or know for sure. But I think that having served as a State vocational education administrator in three States, I know how dedicated the country's administrators are to vocational education.

Senator ANDREWS. Will you have any say in the management of the vocational education programs?

Dr. WORTHINGTON. We will require that each State submit an annual program outline which will replace the State plan. It will not be quite as prescriptive as the present plan, but we will require the States to continue to submit this document and will require the States to report effectiveness of their programs. We will still conduct audits which will see to it that the States and local communities expend the Federal funds as intended by the Congress.

FEDERAL REVIEW OF PROGRAMS

Senator ANDREWS. Under the consolidation plan, would the Federal Government have the authority to disapprove a State plan for use of the vocational adult education funds under any circumstances?

Dr. WORTHINGTON. The State plans would not be reviewed line by line as they presently are, but the annual reports would be reviewed very carefully, and audits would be carried out to determine whether or not the funds were being spent legally.

Senator ANDREWS. But what you are telling the committee is that you are going to review them, but you have got no whammy to act, if you don't like what you see when you review. Why do the review, if you do not have the control?

Dr. WORTHINGTON. I'm not sure how much whammy we have right now even with restrictive legislation.

Senator ANDREWS. You have got quite a bit of input, and you have it with the special set-asides. You have it in a host of other ways, and the appalling thing is you say you're going to do all of these reviews of the State programs. In the next breath you say, you have reviewed them and found out they have just goofed up the program something terribly, but you do not know whether you're going to have any authority to do anything about it. So why review them if that is the case?

Dr. WORTHINGTON. Adult education and vocational education are State and local programs. They are not Federal programs. In vocational education the Federal share has dropped to only 9 percent overall in the Nation, while 91 percent of the funding comes from States and local communities. They know how to raise the 91 percent funding, so they should know how to run the programs. Since the 1963 act, we have built the delivery system by permitting the States to use some portion of Federal funds for construction. We do have an exceptionally good national network for vocational education delivery out there.

I wonder, Mr. Chairman, if my colleague, Dr. Gary Jones, Deputy Under Secretary for Budget and Planning, might comment on your first question.

Senator ANDREWS. I think that is fine. I'm sure you didn't bring him up here to be mute.

Dr. JONES. If I may, Mr. Chairman, I think you mentioned the word "control"——

Senator ANDREWS. Not exactly control. I said if you review what they are doing, and you do not like what you see, will you have any ability to effect changes? Will you have any control, I guess, is the bottom line figure, but—and the reason for the question is, I remember 15 or 16 years ago, there was a congressman from Wisconsin by the name of Mel Laird, who went on to be a member of the Cabinet and a host of other things. I cosponsored with him what later on became revenuesharing. We wanted to do it in the field of education, and we were going to take a certain percent of the gross national product, put it out for education, and it was going to be—and we drew up the guidelines carefully, 50 percent on pupil population and 50 percent on the effort factor. We did not want to have some rural areas in the deep South skipping away from their obligation to educate the children they found there, nor did we want some ghetto areas in the big cities skipping away from their obligation to educate the children they found there. We found that in these education programs, we had to be darn careful when we came out with anything from the Federal Government, that it wasn't taken advantage of on a local level.

It was a pretty good start. Everybody loved it. The only thing is that Richard Nixon thought it was so nice, he converted around to straightout revenuesharing, and we lost the earmarking for education. But the concept, I think, is still darned important that we make sure in these programs that in the delivery we do not design them so that some States and some localities with their local governments aren't able to slip, slide, and duck around their obligation, when you start relaxing some of these rules.

That's why I am concerned.

Dr. JONES. I don't think we are relaxing them that much.

KEEPING STATES ACCOUNTABLE

Senator ANDREWS. But a moment ago, your colleague stated that he would have no ability to say, "Hey, wait," if you found that there was some discrimination coming in, or if you found that some groups were being overlooked.

Dr. JONES. Let us be quite precise with our terms, Senator. We would have the ability to keep States accountable, although not to the degree that we have now, and we do not advocate that. We think the Federal Goverment has overplayed its role. What we are suggesting is that there is an accountability to the Federal level, but the Federal level need not control what happens at the State or local levels. Now we will have an audit procedure, and the audit procedure would be able to be invoked in order to make sure that localities and the States are staying within the statutory provisions of the law.

Senator ANDREWS. Can you withhold funds for any misuse?

Dr. JONES. I believe we can, as I understand your question.

Dr. WORTHINGTON. Yes; we could. Dr. Cornelsen who manages the State vocational programs for us, may wish to comment on the topic of audits.

Dr. CORNELSEN. One of the features of the proposed legislation would be an emphasis on accountability based on outcome, rather than on process. We have a number of audits currently pending, with reviews of activities in different States, and the application of the audit exception generally relates to a technical process rather than the provision of services. Since the 1976 amendments, we have had precious little evidence of any fraud or misuse of funds.

Senator ANDREWS. When I'm talking about misuse of funds, I'm not talking about fraud, but obviously, if someone is fraudulently applying Federal funds, the Feds will take after them and maybe throw them into prison. The misuse I'm referring to is the tilting of the program toward a certain group and denying the program benefits to another group.

Dr. CORNELSEN. I would only say in response to that question, Senator, that the States are so different from one another, that a prescriptive model or blueprint that goes to every State, cannot very likely be flexibly applied against such rigid standards as in the 1976 amendments. And we think the flexibility—especially when they are raising 89 to 90 percent of the total cost of the program—ought to be decided by States and localities.

FEDERAL SAFEGUARDS

Senator **Andrews**. I have the utmost confidence in localities and States and their ability to design programs that are for the local people than some expert on the Potomac, 1,500 miles away can do. I also have deeply engrained concern for the fact that when you are running programs for all Americans across this country, you have got to have a Federal traffic cop to make sure that they obey some of the signals, traffic signals along the line, that they obey some of the equity that is needed in allocation. That is my concern over the program that you are coming up with. You say, "Yes, we can police it, if somebody is stuffing his pockets with fraudulent collections, or something like that." But can you monitor the program if somebody is telling a certain group that they are outside the realm of the program now, the way it is being administered by these local groups?

This is the concern that is shared not by just this Senator but by a number of other Senators from both sides of the political aisle, and until you give some safeguards, I think there is going to continue to be that kind of concern.

Dr. **Worthington**. We feel that increasingly the role of the Federal Government, with a limited staff in the proposed Foundation for Educational Assistance, would be research, development, and dissemination, and, when requested by States, technical assistance. I recently asked the State directors of vocational education what were some of the issues that faced them. The first issue that came up was too much Federal nitpicking. They said get off of our backs. That's what they said to me.

I think that is what they want. They want us to work with them. They want us to work with them in a leadership role and not in a nitpicking, overseeing role and going in there and, line by line, looking at their State plan and determining whether or not they are doing what the Federal Government wants.

A DIFFERENT COMPARISON

Senator **Andrews**. Let me draw a little bit different comparison than a nitpicking one. When we had a problem in housing or location of housing, we passed, as you know, open housing laws. We had to do it with the Federal Government because for some strange reason the localities were not doing it. It did not amount to much nitpicking, but it sure changed things an awful lot in the country and changed them for the good.

In essence, what I am concerned with is when you are turning all of this back to the localities, that you still maintain some type of overall umbrella—open education-type facilities so that we can make darn sure that these opportunities are still open to everybody and that you are not excluding people, not because of what we have done on the Federal level but because of what someone might deem to do at the local level.

I do not want to belabor the point. In fact, what I would like to have you do is include, if you might, for the record some rather definitive explanation of how you feel this particular concern of mine will be addressed.

[The information follows:]

The proposed use report that each State would be required to submit in order to receive Federal funds would have to include descriptions of how the funds would be used, how the funds would be distributed within the State, and what results the State would be seeking to achieve. This would include a description of how funds would be used to provide equal educational opportunity to all students, including the handicapped, the disadvantaged, and the limited-English-proficient.

We are confident that States will meet their obligation to provide appropriate services, activities, and programs for these populations and will fulfill their other obligations under the act. If instances do arise when State plans for meeting these obligations are not adequate, appropriate technical assistance will be provided in order to remedy identified program weaknesses and bring the States into compliance. If a State still fails to remedy program deficiencies, the Secretary has authority under subpart E of the General Education Provisions Act to direct the issuance of a cease-and-desist order to the nonresponsive State.

Dr. WORTHINGTON. May I also comment on one thing that came to mind when you were talking. We are not talking about the Federal Government dealing with local educational agencies in vocational education. We are talking about continuing with the single-State agency that we have had since the Smith-Hughes days.

We are proposing that the single-State agency still receive those funds and administer them. We would not transmit those funds directly to an LEA. They would go to the single-State agency and, in most cases, under State law, that is the State vocational board.

COMPARISON OF VOCATIONAL AND ADULT EDUCATION

Senator ANDREWS. What are the primary differences between vocational education and adult education programs, particularly with regard to the populations they serve and the way the programs operate?

Dr. WORTHINGTON. The vocational education legislation has been on the books for many years, and it has supported the training of persons of all ages in all communities for recognized occupations. Adult education legislation grew out of the economic opportunity programs of the 1960's and has been in place now as the Adult Education Act for several years. The Adult Education Act has pointed toward wiping out illiteracy within the limits of its funding and its operation.

Approximately 2 million people per year are served in adult basic education and high school equivalency programs. It is very closely related to training for employment. The adult performance level study—APL—funded some 10 years ago, on the performance skills that adults require, indicated that adults, to cope in today's society, need not only communication skills and mathematical skills, but also occupational skills.

Adults who have an opportunity to learn those basic academic skills at the same time that they are learning the occupational skills seem to be much more successful. The programs that we have had around the country where we have combined occupational and adult basic education have had great success.

We are not saying that adult education would be wiped out as we know it. Adult education would be a part of our proposal. It would be consolidated, but it would still stand out as an identifiable program in subpart 3 of our proposed reauthorization.

Senator ANDREWS. Given their distinct differences, which you just pointed out, why are the two programs being combined into the same block grant? Isn't it possible the States would choose not to fund any adult education programs under your consolidation plan?

Dr. WORTHINGTON. The States would be required to spend a minimum of 13 percent of their total allocation on adult basic education. This would continue the present funding balance between adult and vocational education.

Senator ANDREWS. So you do include specific set-asides for adult education activity?

Dr. WORTHINGTON. Yes; 13 percent would have to be allocated for adult basic education programs.

Senator ANDREWS. What happens to the States if they do not comply with the 13 percent?

Dr. WORTHINGTON. They would be required to comply. That requirement is spelled out in our proposal. The requirement would be subject to audit and they would be accountable for that.

Senator ANDREWS. Senator Burdick?

Senator BURDICK. No questions.

SUBMITTED QUESTIONS

Senator ANDREWS. Thank you, Dr. Worthington. We will have additional questions for the record, and we will now proceed to hear testimony on the fiscal 1983 budget for impact aid.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ATTENTION TO PRIORITY AREAS

Senator Chiles: This committee has been giving vocational education a high funding priority, because we believe that it has a critical role to play in revitalizing our Nation's economy. With the cresting of the "baby boom" youth entering the work force, and with an increasing competition for skilled labor between the military and civilian sectors, the need for vocational training will be increased through the 1980's.

To assure that Voc Ed programs are capable of meeting these needs, this committee has put increasing emphasis in recent years on the funds for program improvement. In last year's report we directed the Secretary "to insure that these funds are spent for programs to upgrade the technological level of vocational education training and for programs to target vocational education to the needs of handicapped and disadvantaged populations."

Will you please tell us what specific actions you have taken to give emphasis to each of these two objectives?

Answer: Funding under the Continuing Resolution for Program Improvement and Supportive Services is set at $89,590,000, a reduction of $3,733,000 from the amount appropriated in 1981. This reduction makes an increased emphasis on program improvement somewhat difficult. Further, the Department has very limited ability to insure that the funds are used for priority areas identified in the Senate report. Section 130 of the VEA requires that States use at least 20 percent of the Program Improvement funds for guidance and counseling; beyond that, the States have wide latitude in using these funds for a variety of purposes, including research, exemplary and innovative programs, curriculum development and grants to assist in overcoming sex bias. Finally, the 1982 funds do not become available for obligation until July 1, so it will be some time before it is known how the States actually use the money.

The Department remains deeply interested in program improvement in vocational education and has worked closely with the States on their program improvement efforts. The National Center for Research in Vocational Education has identified over 300 curriculum development projects undertaken in the last year involving new and emerging technologies and another 100 undertaken to improve services to the handicapped and disadvantaged.

RURAL AREAS

Question: Approximately what percent of Federal vocational and adult education funds are directed toward programs in rural areas?

Answer: Although we do not gather information from the States on funds specifically directed toward rural areas, a 1980 study for the Department indicated that nearly one-fourth of all vocational training took place in communities that could be described as rural in character. The study also pointed out that the needs of rural communities for improvement of their basic education and vocational training programs were far more severe than in urban or suburban areas.

Question: What guarantees will the Block Grant contain to assure that rural areas receive a fair share of the vocational and adult education Block Grant funding?

Answer: While the Block Grant proposal contains no guarantees related to rural areas, the consolidation bill requires States to give careful consideration to the needs of disadvantaged groups and economically depressed communities. The Department's 1980 study found that rural areas had twice the percentage of disadvantaged persons as larger communities. Thus, we would assume that States would direct a relatively large percentage of their funding towards rural communities.

BILINGUAL VOCATIONAL TRAINING

Question: How successful is the bilingual vocational education program?

Answer: As a limited demonstration program, Bilingual Vocational Training has had an excellent record of success in producing a cadre of skilled workers who have found employment in a wide range of occupations. Placement rates in jobs directly related to the participants' training have consistently been at or above 90 percent, with some projects approaching 100 percent placement. Useful materials and trained personnel to staff vocational training programs for limited-English-proficient persons should also be counted among the program's record of accomplishments.

Question: Would you propose including this program in the vocational and adult education Block Grant or would it be more appropriate to change the law so that it be included as part of the Bilingual Education Act?

Answer: The Administration's Vocational and Adult Education consolidation bill authorizes special training programs for persons of limited English proficiency as one of the National Programs for which up to 10 percent of all appropriated funds would be reserved. In addition, the Administration is proposing to expand the range of activities eligible for support under ESEA Title VII (Bilingual Education Programs) to include vocational training projects. These measures will enhance the ability of the Federal Government to develop programs in this area.

STATE CONTRIBUTION

Question: The Department's rationale for cutting vocational education stems from the fact that State and local dollars overmatch Federal dollars by 11 to 1 on the average. Since the overmatch would increase to 16 to 1 under the budget proposal, due to further Federal reductions, will this then become the justification for further Federal cuts in subsequent years?

Answer: If the States and the local governments are able to sustain their existing levels of support, which we hope they will, then the overmatch could go as high as 16 to 1. However, this should not be taken as an argument for additional immediate cuts. If the objectives of the President's economic program are acheived, then reductions of the magnitude proposed for fiscal year 1983 will not be necessary in future years. For the longer term, vocational and adult education will be proposed for "turn-back" to the States under the New Federalism initiative.

Question: What evidence is there that State and local governments have the capacity to make up the difference in funding of vocational education programs that will result from a reduced Federal effort?

Answer: The ability--and also the willingness--of States and localities to make up for the Federal reductions will obviously depend on conditions in the individual States. While some States are now in difficult economic circumstances, the Reagan economic program is designed to improve those circumstances by cutting taxes (thereby spurring greater economic activity), reducing the Federal deficit (thereby bring down interest rates), and keeping tight control on the money supply (thereby preventing renewed inflation). These efforts should result in increased revenues for the States and a greater ability for them to assume the cost of Federal programs.

For the near term, vocational education has long enjoyed wide popularity at the State and local levels; it should be in a good position to compete against other funding priorities. States should be able to find the wherewithal to continue programs they deem necessary. The Administration's consolidation proposal will be helpful to the States because of its major emphasis on elimination of costly paperwork and other administrative burdens.

PREVENTING DROPOUTS

Question: Your budget documents indicate that consumer and homemaking programs have been influential in preventing students from dropping out of school. Briefly describe the ways in which this program has prevented the incidence of dropping out of school.

Answer: No precise causal relationship between consumer/homemaking programs and staying in school has been identified. But we have found some evidence from State reports that consumer and homemaking students are more likely than other comparable students to continue with their education. Some of this phenomenon may arise from the recent focus of the program on teenage parents, normally a ripe population for dropping out. These new programs teach young parents to cope with the child-rearing, household, and financial pressures they face. Ancillary services are also useful in enabling the parents to stay in school.

For other participants, the connection between consumer/homemaking and staying in school may be harder to explain. It is perhaps best viewed as a serendipitous and happy circumstances.

CONSUMER AND HOMEMAKING EDUCATION

Question: For every Federal consumer and homemaking dollar, how much do States and local governments contribute?

Answer: Approximately ten State and local dollars are spent on consumer and homemaking programs for every Federal dollar.

Question: Since this program provides neither basic educational nor occupationally specific skills, what method do you use to judge whether the program has been a success?

Answer: For the reasons you mention, the success of the consumer and homemaking programs can be difficult to evaluate, but evaluations should be framed in terms of the goals and objectives of the Federal consumer and homemaking program.

Subpart 5 of the current Vocational Education Act focuses Federal attention on: (1) the substantive areas of consumer education, food and nutrition, family living and parenthood education, child development and guidance, housing and home management, and clothing and textiles; (2) training both males and females for combining the roles of wage earner and homemaker; (3) elimination of sex stereotyping; (4) programs in economically depressed areas; (5) outreach programs, especially those targeted at single parents, young parents, the aged, the handicapped, the disadvantaged, and other special needs populations.

The recently completed NIE Vocational Education Study examined the extent to which the States and localities have been responsive to these priorities. This was attempted through surveys of the range of course offerings, the types of students served, the location of programs, and the amount of attention to other Federal concerns. The study also explored the body of extant research on the effects of consumer and homemaking education on students' knowledge, attitudes, and behavior, with the results, on the whole, considered inconclusive.

Question: What justifies this program being a Federal responsibility?

Answer: Home economics was included in the Smith-Hughes Act of 1917 because of a desire to support training for the occupation of homemaker, the occupation in which virtually all women of that time were primarily engaged. Later legislation continued this commitment, generally through a specific set-aside or categorical program. In the 1968 and 1976 amendments, the Federal commitment shifted from general support of home economics to a focus on development of programs in emerging areas within the broad purview of consumer and homemaking education and also on encouraging participation by males and on underserved areas and populations. In all, the changes in the legislation mirrored the changes occurring in society and in American family life.

The Administration's consolidation bill embodies the philosophy that consumer and homemaking instruction is widely available across the country and that other Federal goals in the area have to a great extent been accomplished. While consumer and homemaking education remains a worthy component of vocational education, there is no longer a compelling reason to require that a specific amount of Federal money be allocated to its support. Instead, the bill identifies consumer and homemaking education as one eligible activity and leaves to the States decisions regarding how much of limited Federal funds it would receive.

Question: Can States and localities use vocational education funds from their Basic Grant program to operate consumer and homemaking education programs?

Answer: Yes. Consumer and homemaking programs constitute an allowable use of Basic Grant funds.

Question: What is the administrative cost of operating a separate consumer and homemaking education program, distinct from the Basic Grants program?

Answer: We do not know of any costs attributable to funding a consumer and homemaking program through Subpart 5 rather than Subpart 2. At the local level, it probably makes little difference. Because consumer and homemaking is now administered as a separate categorical program, with its own funding priorities and allocation requirements, there may be an additional administrative burden at the State level. This problem would be eliminated in the Administration's consolidation bill, which would merge consumer and homemaking with other activities eligible for support within the overall purview of "Strengthening State and Local Systems of Vocational Education."

BUDGET CUTS

Question: Your budget statement asserts that the vocational education program is "an important tool in the national economic development" and contributes to a "literate workforce." It also indicates that more than 90 percent of the participants who complete vocational education training are successful in obtaining employment. In light of these statements and the high unemployment rate which plagues our country, why are you proposing major rescissions in fiscal year 1982 (-$104 million) and even greater reductions in fiscal year 1983 (-$232 million) for vocational education programs?

Answer: The proposed rescissions and reductions are part of the Administration's overall economic program, aimed at revitalizing the economy through a series of tax and budget cuts. If this program is successful, a stronger economy with a higher level of employment should result. Vocational education is an important tool in economic development, but most of the funding for vocational education will have to be assumed, as it has always been assumed, at the State and local levels. An improvement of the current economic situation will strengthen the ability of the State and local governments to make that contribution.

(Note: The proposed reduction for vocational and adult education combined in 1983 is $134 million.)

Question: In your zeal to cut Federal spending, aren't you neglecting the importance of vocational training to reduce unemployment, increase productivity, and contribute to our Nation's reindustrialization effort?

Answer: The proposed reductions for vocational education are actually less, on a proportional basis, than those requested for other programs in the Department. This reflects the Administration's belief in the importance of vocational education in increasing productivity and contributing to reindustrialization. However, the overriding concern is to get the economy back on track by reducing Federal spending and trimming the deficit. Toward this end, vocational education must assume some of the necessary cuts.

ADULT EDUCATION

Question: In FY 1981, approximately 2 million of America's most severely disadvantaged persons received services through the Adult Education Program. At the revised FY 1982 level, assuming the President's rescission, how many fewer people would be served compared with the FY 1981 level?

Answer: Because the Federal share of funding for this program is still at 57 percent, the number of persons served by the program could drop to as low as 1.7 million. We are optimistic that the actual number served will be quite a bit higher. Because non-Federal contributions to Adult Education have been increasing and because costs per student have declined, the potential exists for the program to continue with little if any decrease in number of students served.

Question: How successful has this program been in advancing the educational levels of participants?

Answer: Program completion and GED certificate attainment are two measures of the success of this program, although these alone do not tell the entire story. In 1981, an estimated 280,000 persons completed the 8th grade (basic skills) level and an estimated 170,000 persons completed the 12th grade (high school equivalency) level. Many other students left these programs after fulfillment of their educational objectives but prior to program completion. For these students the programs can also be considered successful. In a recent survey, completed for the Department, over 80 percent of the persons who had enrolled in adult education programs had met their personal educational goals.

Question: In your view, is adult illiteracy a problem of national concern?

Answer: Yes it is. A 1979 Ford Foundation report found that approximately 25 million adult Americans could be classified as functionally illiterate. Without some kind of basic educational assistance, most of these people are doomed to remain in unskilled, dead-end jobs or in long-term dependency on government transfer payments. Helping these people become more productive citizens is an important component of national economic revitalization. While the States and local communities are positioned to assume an increasing proportion of the cost of adult basic education, a Federal role remains, especially in the areas of program development, research, and dissemination.

Question: To what extent does the Adult Education program serve refugees such as Indochinese, Cubans, Haitians, Soviets, etc?

Answer: The Department received a special appropriation of $22.6 million in the fiscal year 1980 budget for adult education programs for Indochinese refugees and adult immigrants. From this appropriation some 50,000 persons were served, including 13,000 Indochinese, 32,000 Cubans and Haitians, and 5,000 from the Soviet Union and countries of Africa, the Middle East, and Eastern, and Southern Europe. This special program is now being phased out, with services for the immigrant and refugee populations being absorbed by the regular State adult education operations.

PROGRAM IMPROVEMENT AND SUPPORTIVE SERVICES

Question: A recent study of vocational education by the National Institute of Education claims that not much program improvement was accomplished through Federal funds for Vocational Education. To what extent do funds for improvement and supportive services actually improve programs?

Answer: The NIE study was based on information from the Department's Vocational Education Data System (VEDS). For fiscal year 1979, VEDS reported that States used 21 percent of their Section 130 funds for program development and innovation activities undertaken by the Research Coordination Units, 21 percent for pre- and in-service teacher training, and 2 percent for grants to overcome sex bias in vocational education. Thus, some 44 percent of the money went for what might reasonably be considered "program improvement" purposes. Of the remainder, 40 percent was used for counseling and guidance, 15 percent for State and local administration, and a fraction of one percent for evaluation. By 1980, the proportion of funds going for program improvement purposes had increased to 51 percent. Although these figures tell us little about the extent to which the funds are actually helping to "improve programs," we have received reports of impressive program improvement activities undertaken in such States as Virginia, Arizona, Florida, and Mississippi.

Question: Why is vocational education program improvement a Federal responsibility?

The notion of vocational education program improvement as a Federal responsibiliity fits in with the Federal focus on encouraging excellence in education. This is to be the guiding principle of the proposed Foundation for Education Assistance. We believe that an improved vocational education enterprise can be instrumental in increasing productivity and preparing the skilled workforce needed for energy development, agricultural production, national defense, urban revitalization and reindustrialization. All of these are truly national concerns.

Question: How much do States and localities spend for these same activities?

Answer: VEDS data for fiscal year 1979 indicate that States and localities spent almost $278 million for program improvement and supportive services. This was over three times the amount of money contributed by the Federal Government.

Question: What would happen to the quality of vocational education programs if funds for program improvement and support were eliminated and instead transferred to Basic State Grants?

Answer: In past years many State and local program administrators have welcomed the fact that a portion of the Federal contribution is earmarked for program improvement and thus cannot be used for general program support. They have used the Federal program as a vehicle for developing their own program improvement efforts. As such, the program has served a useful purpose.

We believe that the major focus of Federal aid to vocational education should be on developing and improving the vocational education enterprise so that it can assist in local, State, and national economic development. This concept is embodied in the consolidation bill, which requires that all State grant funds (except for those earmarked for adult basic education) be used for programs and projects specifically tied to economic development or for improvement of the overall vocational education enterprise. Within those broad categories of activity, States would be allowed wide latitude in the use of funds.

Question: How are results or findings from program improvement activities disseminated among the States?

Answer: Research results and new curriculum packages generated by the program improvement activities are disseminated through the National Center for Research in Vocational Education and the network of regional curriculum coordination centers.

GUIDANCE AND COUNSELING

Question: The recent National Institute of Education (NIE) study of vocational education programs found that less than half of program and improvement and support funds are used for actual program improvement purposes and that the other funds were used for guidance and counseling and administration. Do you agree with this conclusion?

Answer: The NIE finding was based on data from the Vocational Education Data System (VEDS) for fiscal year 1979. In that year, States used some 44 percent of their Section 130 funds for program improvement activities (support of the research coordinating units, teacher training and staff development, sex equity activities), 40 percent for guidance and counseling, and the remainder for administration.

By 1980, the proportion of funds going for program improvement activities had increased to 51 percent. Thus, we can now say that a majority of the money, if only a bare majority, is used for program improvement.

Question: What distinct differences exist between these guidance and counseling services and those funded out of the Department of Education's Career Education Program?

Answer: Guidance under the Career Education program has focused on exposing school children to different career options and on providing a general introduction to the world of work. By comparison, the VEA-funded guidance activities have focused on the specific employment and training opportunities available to individual students.

The Administration is not requesting funds for Career Education in 1983, as activities now supported by that program can be picked up by the States under the State Block Grant.

PROGRAMS OF NATIONAL SIGNIFICANCE

Question: What programs are supported under the heading "Programs of National Significance?"

Answer: Three distinct activities are supported under this budget line-item: the National and State Occupational Information Coordinating Committees (NOICC and the SOICCs), the National Center for Research in Vocational Education (NCRVE), and the Special Projects, including the Curriculum Coordinating Centers (CCCs).

Question: During times of severe budget restrictions on the operation of basic educational services for vocational students, is there sufficient justification for the continuation of scarce Federal funds for large Federal discretionary projects such as Programs of National Significance?

Answer: The Programs of National Significance (PNS) are of value to the operation of local vocational education programs, as they create efficiencies in the development and dissemination of curriculum packages and occupational information. This is especially important in the current environment, when changing technologies require the rapid development of new curricula and when students are in particular need of timely and accurate occupational information. PNS can hardly be described as a large effort. Only 1 percent of the 1981 vocational education appropriation went to this line item. In 1982, at the proposed rescission level, this would rise to only 1.3 percent. For the future, we believe that leadership in research development, and the pursuit of excellence will be an important part of the Federal role in education, and that a small appropriation for these activities will continue to be appropriate.

VOCATIONAL EDUCATION RESEARCH

Question: The National Institute of Education has recently concluded a comprehensive 4-year study and evaluation of Federal and State vocational education programs. With that task accomplished, what is the need for the continued funding of the National Center for Research in Vocational Education (NCRVE)?

Answer: The National Institute of Education has completed a comprehensive and useful evaluation of the Federal role in vocational education and the success of the Federal program. This is quite different from the mission of NCRVE. The National Center for Research in Vocational Education is engaged in applied research and development on problems of national significance in vocational education, in leadership development and in-service training activities, and in dissemination of research results and new curriculum packages. Thus, the overall emphasis is on improvement of the vocational education enterprise.

Question: What portion of National Center for Research in Vocational Education funds are spent on commissioned papers, conventions and travel in contrast to basic research?

Answer: The Center is not authorized to conduct basic research. In the current year, approximately 31 percent of the money that NCRVE receives through Programs of National Significance is being used for applied research and evaluation. Commissioned papers, conventions, and travel account for about 6 percent. Other major categories of activity include dissemination and utilization (23 percent), leadership development (12 percent), policy and planning (12 percent), and management (20 percent).

Question: When was the last independent audit and evaluation made of the National Center's programs? Are any audits planned in the near future?

Answer: The Center was evaluated by outside consultants in August 1980. Periodic audits are conducted on a continuing basis. The Department's Planning and Evaluation Service has recently initiated an evaluation of the first four years of the current contract. This project will focus on the quality of NCRVE's published output.

Question: For the past 5 years, how much has the National Center for Research in Vocational Education received from all Federal sources? How much support comes from non-Federal sources?

Answer: The National Center has received approximately 81 percent of its budget from Federal sources (Programs of National Significance, NIE, Department of Labor, etc.) during the past 5 years and approximately 19 percent from non-Federal sources (State and local governments, private companies, labor unions, foreign governments). During this time, the annual budget for NCRVE averaged about $10 million, of which about half came from Programs of National Significance.

Question: Are Federal vocational education funds for the National Center for Research in Vocational Education awarded competitively?

Answer: The current 5-year contract was awarded on a competitive basis. The contract for a national research center is up for competition again this year. It is the Department's policy that recipients of contracts of this nature should always be selected through the competitive process.

SEX DISCRIMINATION

Question: How have Federal vocational education funds been used to overcome sex-role stereotyping in occupational education programs?

Answer: Of the funds they receive for Basic Grants, each State must use at least $50,000 to support the activities of full-time sex equity personnel. The activities of these personnel include creating awareness of different vocational programs around the State; gathering, analyzing and disseminating data on the status of men and women in the vocational programs; and taking actions to correct bias in the programs. Other activities undertaken with Federal funds have included training of teachers and guidance counselors in how to promote sex equity; preparation and dissemination of bias-free teaching materials; and evaluation of programs regarding their sex stereotyping.

Question: What evidence do you have that would suggest the States' willingness to continue anti-sex discrimination activities in vocational education programs without a Federal directive to that effect?

Answer: During the past 5 years, the Federal contribution has served as seed money for development of sex equity activities in all of the States. Now that these activities are in place, we are confident that the States will continue those activities that they feel are still needed. A required set-aside or separate Federal program is no longer appropriate.

NATIONAL ADVISORY COUNCIL

Question: Your proposed vocational education legislation would support a National Advisory Council on Vocational Education. Why would there be need for an Advisory Council if most of the responsibility for Vocational Education programs is being transferred to the States?

Answer: Vocational education has been essentially a State and local responsibility for many years. We are proposing to increase that responsibility through our consolidation legislation. The need for an advisory council remains basically unchanged from what it has been under the current legislation; that is, to elicit the views of other agencies and of individual citizens--including those in the private sector --on the proper operation of the vocational and adult education programs and on how these programs can best meet the employment and training needs of the nation.

(Note: The consolidation bill would create a National Advisory Council on Vocational and Adult Education, replacing the existing separate advisory groups.)

Question: What purpose would this advisory council serve?

Answer: The Council would advise the President, the Department, and other agencies on the conduct of vocational and adult education and employment and training programs; conduct independent evaluations of programs funded under the Act; and make periodic reports on program effectiveness.

STATE ADVISORY COUNCILS

Question: What are the major accomplishments of the vocational education State advisory councils?

Answer: The State advisory councils have assisted the State boards with preparation of their five-year plans, annual plans, and accountability reports; conducted required evaluations of the State programs and disseminated the results of those evaluations; and identifed the vocational education needs of the States and promoted development of programs responsive to those needs.

Question: What will happen to the Advisory Councils in your Block Grant?

Answer: The Councils would no longer be considered a Federal responsibility. They could be continued, at State option, but not with Federal funds.

Question: What appropriate non-Federal sources could fund the State advisory councils if Federal funds for that purpose were terminated?

Answer: This would be entirely a matter for the States to decide. It is very likely that funding for the advisory councils would be obtainable from general State vocational education funds. Support from private industry or State economic development councils could also be sought.

VOCATIONAL EDUCATION DATA SYSTEM

Question: The Vocational Education Data System (VEDS) was established by the Congress in 1976 to provide a national vocational education reporting and accounting system. How effective has the Vocational Education Data System (VEDS) been in assisting State and local vocational education programs, either in their operation or in planning and evaluation?

Answer: Most States have found that the VEDS data—primarily components dealing in the enrollments and program completion--are useful in program planning and evaluation. However, we have not found that the utility of these data to the States outweighs the major burden entailed in their collection.

Question: While VEDS is currently operated by the National Center for Education Staistics, what would hapen to this reporting system under your proposed consolidation of vocational education programs? Would it continue to collect data?

Answer: Under the consolidation proposal, the existing VEDS authority would be terminated. While no specific data collection requirements are included in the consolidation bill, we would continue to collect basic enrollment and program data under the GEPA data collection authority. It is likely that these collections would be conducted by NCES. However, no data collection system as elaborate or burdensome as VEDS is envisioned.

Question: If so, how would the Department of Education use the data?

Answer: The Department would collect vocational education data in order to assemble one national source of information on the program. These data will be useful in program planning and education at both the State and national levels. Under the consolidation bill, the Department would be required to submit to Congress an annual report on the status of vocational education in the Nation. The information going into this report would be drawn from State Proposed Use Reports and from other reports and data collections.

ADMINISTRATIVE COST SAVINGS

Question: How much savings do you estimate would be realized in administrative, reporting and other costs as a result of the Block Grant consolidation you are proposing?

Answer: We have been studying the issue of administrative costs, but do not have any firm data on how much savings would result from our consolidation proposal. Major savings would result from elimination of requirements related to planning (replacement of the annual and five-year plan with a simplified Proposed Use Report), data reporting (elimination of VEDS), evaluation (greatly simplified), public particiation (elimination of advisory council requirements and required memberships; simplification of public hearing requirements). It is possible that as much as 5 to 10 percent of program funds might be saved--and thus made available for use in actual programs--as a result of these reforms.

PLANNING GRANTS

Question: What will become of State Planning Grants in your vocational education consolidation proposal?

Answer: The proposal eliminates State planning grants as a separate line item. States may continue to use Federal funds for their planning activities; four percent of the State grant would be available for these and other State administration activities.

Question: To what extent have planning grants been used to evaluate individual State vocational education programs?

Answer: Under Section 112 of the existing Vocational Education Act, each State is required to conduct a comprehensive evaluation of its programs at least once every five years. The State planning grant is available to support such evaluations and most States have used them for that purpose. The grants may also be used for preparing the five-year plan and the annual plan and accountability report.

Question: As a result of these evaluations, have States made their programs more responsive to State employment needs?

Answer: We do not have any information on the impact of the planning grants on vocational programs. Making the programs responsive to changing employment needs has been a major concern of the States; the planning and evaluation activities funded with the State planning grant may have helped to advance this concern.

NATIONAL OCCUPATIONAL INFORMATION COORDINATING COMMITTEE

Question: What are the objectives and benefits of the National Occupational Information Coordinating Committee?

Answer: The National Occupational Information Coordinating Committee (NOICC) exists to provide State and local planners, administrators, and teachers with current information on training and emloyment needs. All 57 States and Outlaying Areas now have fully-staffed and operational State Occupational Information Coordinating Committee (SOICCs) which receive and share national training data as part of an integrated network. The major benefit of the system is that it provides the information needed to prevent duplication in training programs and to ensure that training opportunities are made available in areas where an increase in employment is anticipated. The network would be continued in the consolidation as a discretionary national program.

Question: What Federal sources contribute to its funding?

Answer: The Department of Labor and the Department of Education generally provide between $3 million and $5 million each for the NOICC annual operating budget.

Question: At a time when the Federal Government seems to be shifting more and more responsibility to the States, is there a continued need for a nationally based occupational information system?

Answer: The need for a national system of employment information is separate from the question of how vocational education programs should be administered. Labor markets extend beyond State boundaries and should, more than ever, be considered regional or even national in scope. Many people forecast further shifts of manpower in response to technological developments and interregion shifts in the economic climate. While States and localities should have the major responsibility for making decisions about the development and implementation of vocational programs, administrators at those levels will require occupational information that is of consistent methodology and quality for all the States.

REPORTING REQUIREMENTS

Question: What reporting requirements would there be under the newly proposed Block Grant?

Answer: Each State would be required to submit an annual Proposed Use Report, describing how funds received under the Act would be used, how the funds would be allocated within the State, and what objectives the State would seek to achieve. The Plan would further describe how the State would provide vocational education students with access to basic skills instruction, how equal opportunity in vocational education would be provided to all students, and how the private sector would be involved in planning and carrying out vocational programs. The report would include assurances regarding proper administration, fiscal control, fund accounting, submission of other reports needed by the Secretary for administaration of the program, participation of private school students, and meeting the basic education needs of adults. Finally, the report would contain an assessment of programs and projects supported during the most recently completed program year. Prior to submission, the report would be made public within the State.

The bill would provide for periodic State audit of activities supported with Federal funds. It also would require the Department to submit to Congress an annual report on the status of vocational and adult education in the Nation.

ADVANCE FUNDING

Question: According to budget statements, the advance-funding mechanism for vocational education programs "enables the States to plan well into the future for any changes in funding amounts or legislative requirements." Since at this late date you are requesting large rescissions in fiscal year 1982 and proposing major changes in the legislation for fiscal year 1983, isn't the Department disrupting the States' ability to plan ahead?

Answer: The rescission is requested for funds that become available for obligation on July 1, 1982. Because the rescission would only amount to about 2 percent of all funds available for vocational education nationally, we hope it can be accomplished with little disruption of States' planning and administration of the program. Nevertheless, because of the small amount of time involved, we hope that the Congress will act on our rescission request promptly.

The 1983 appropriation will not become available for obligation by the Secretary until July 1, 1983. This should leave enough time for the States to plan for the change in funding level. For the longer term, the vocational and adult education program is proposed for "turn-back" to the States as part of the New Federalism initiative. This would not be accomplished abruptly, but over a period of several years. States would have more than enough time to plan for full assumption of this responsibility.

VOCATIONAL EDUCATION FOR THE DISADVANTAGED

Question: How much actual overlap is there between vocational education programs for the disadvantaged and other Federal education programs for the disadvantaged?

Answer: The Vocational Education Act provides special funding for students who, because of an academic or economic disadvantagement, require additional services in order to benefit from vocational training. While these same students may be eligible for other types of education assistance, such as Title I or Bilingual Education, there is not really an "overlap" in the services provided. The predominant emphasis of the VEA-funded programs on training for a vocation makes them different in nature from the programs funded under other legislation.

BLOCK GRANT DISCRETIONARY PROGRAMS

Question: How much are you proposing to set aside for vocational and adult education discretionary activities in your Block Grant proposal and for what projects of national importance?

Answer: Under the consolidation bill, the Secretary would be permitted to reserve up to 10 percent of the appropriation to fund National Programs. These programs may include a national center for research in vocational and adult education, programs for Indian tribes and Indian organizations, programs for the limited-English-proficient, the National Occupational Information Coordinating Committee, and special program improvement projects for meeting national skilled workforce needs.

Question: Would the Secretary determine who receives these funds?

Answer: Yes, the Secretary would determine how much is set aside for National Programs and which activities would be funded.

NIE STUDY

Question: The National Institute of Education (NIE) recently concluded a comprehensive 4-year study and evaluation of Federal and State vocational education programs. In general, what were the conclusions reached by the National Institute of Education in their study of Federal and State vocational education programs?

Answer: The NIE study conducted investigations bearing upon six principal provisions of the 1976 VEA amendments having to do with:

- o Distributing funds to areas lacking the resources to meet vocational education needs.
- o Providing programs and services to students who are handicapped, disadvantaged, or whose English-proficiency ability is limited.
- o Overcoming sex bias and sex stereotyping in vocational education.
- o Improving planning for the use of all resources.
- o Encouraging change in and improvement of the Nation's vocational education enterprise.
- o Strengthening evaluations of programs.

The major findings are as follows:

1. Distributing funds to areas. The ways by which Federal funds are distributed to areas and are earmarked to benefit certain groups of individuals are crucial to realizing Federal policy objectives. The Study found that:

    - o VEA funds are distributed to States and territories with little regard to differences among them in fiscal capacity and no regard to the relative costs of education.
    - o Aspects of the intra-State distribution procedures are ambiguous, lack clarity, and are faulty.
    - o The intra-State distribution procedures permit States to allocate Federal funds in line with goals and priorities which may or may not be congruent with those of Federal policy.
    - o The many factors driving the intra-State distribution of Federal funds were weak and inconsistent in fiscal year 1979.
    - o Federal grants, the instrument for assisting States, have been too limited in scale to help the States with the task of realizing all the objectives of Federal policy.

2. Programs and services for special needs students. One of the key objectives of the Vocational Education Act, as amended, is to assist the States to improve their capacity to provide vocational education programs and services to students who are handicapped, or disadvantaged, or whose English-speaking proficiency is limited. The Study found that:

    - o The successive amendments to the Vocational Education Act of 1963, in combination with civil rights laws and other legislation, have stimulated the States to make a greater effort to serve students with special needs.

- The manner in which the excess costs and matching requirements are interpreted and implemented may inhibit localities from spending Federal funds to provide programs and services for students with special needs and creates a disincentive to mainstreaming these students in regular classes.

3. Overcoming sex bias and sex stereotyping. Overcoming sex bias and sex stereotyping in vocational education is a new objective of Federal policy introduced in the 1976 legislation. Investigation of the consequences of the legislation produced findings that:

   - All States have appointed a sex equity coordinator, but the States show considerable variation in the ways in which the mandated functions of this position are carried out.

   - Few States spend a significant proportion of their Federal or State and local funds on sex equity-related activities.

   - Sex stereotyping is still pervasive in vocational education, but is less severe than in the early 1970s.

4. Improving planning. The planning provisions of the 1976 legislation require States to install a process designed to result in comprehensive and coordinated planning attuned to changing labor market conditions and resulting in streamlined planning documents. The evidence produced by the NIE study led to findings that:

   - A State planning body, generally called the State Plan Committee, is a necessary, but not a sufficient, condition for more coordinated and comprehensive planning for the use of all resources.

   - Occupational demand data are being produced and displayed in plans, but are of questionable utility for local program decisions.

   - Although State planning has improved, States still prepare plans that are primarily compliance documents and do not reflect the operational planning that many of them in fact do.

   - State plans apparently do not significantly influence local program decisions.

   - Coordination in planning is taking place at the State level, involving representatives of Vocational Education Act and Comprehensive Employment and Training Act programs, but it has little effect upon program decision making at the local level.

5. Extending and improving programs. Encouraging change and improvement in the Nation's vocational education enterprise

is a key purpose of Federal policy, but the Vocational Education Act lacks effective provisions for achieving this objective. The major findings on this score were that:

- Only a small proportion of all funds spent at the local level go for program improvement purposes.
- More than 90 percent of Basic Grant Federal funds are spent on vocational education programs or administration.
- Less than one-half of all reported Program Improvement and Supportive Services funds are spent for program improvement purposes.
- The requirement to give priority to applicants proposing new programs for new and emerging occupations has not operated as intended.
- There are incompatibilities between the objectives of program improvement and extension and other objectives of the Vocational Education Act.
- The provisions for federally funded Consumer and Homemaking Education programs encourage, but do not require, improvement and extension.

6. Strengthening evaluation. The 1976 amendments introduced requirements for strengthening State evaluations of vocational education programs in order to contribute to improving programs and their correspondence to labor market demands. The Study found that:

   - The 1976 evaluation provisions significantly stimulated evaluation activities on the part of the States and localities.
   - The statutory evaluation requirements using the criteria of student placement and employer judgments on training and preparation for employment are not generally useful for improving programs.
   - The best promise of securing results likely to be useful for improving programs and decision making on program offerings is to evaluate the ways programs are planned and operated.

Conclusions: The 25 findings listed above lead to three broad conclusions:

- the Vocational Education Act of 1963, as amended, attempts to accomplish too much with too few resources.
- there are sometimes mismatches between the ends of Federal policy and the means relied upon to realize them.
- realizing the ends of Federal policy depends heavily upon State and local policies, practices, and resources.

NATIONAL CENTER FOR RESEARCH IN VOCATIONAL EDUCATION

Question: Will the National Center for Research in Vocational Education continue to receive Federal funding if the vocational and adult education consolidation is enacted according to the Administration's plan?

Answer: A national center for research in vocational education is one of the discretionary projects that would be eligible for funding under Part C, National Programs.

IMPACT AID

STATEMENT OF MONIKA EDWARDS HARRISON, ACTING ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

WILLIAM L. STORMER, DIRECTOR, IMPACT AID PROGRAMS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

GARY L. JONES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION

LAWRENCE L. BROWN, ACTING DIRECTOR, DIVISION OF ELEMENTARY, SECONDARY AND VOCATIONAL ANALYSIS, OFFICE OF PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENT

Senator ANDREWS. Monika Harrison will be the lead witness. Ms. Harrison would you introduce your colleagues and proceed with a summary of your statement so that we can get to the questions? Your full statement will, of course, be entered in the record.

[The statement follows:]

STATEMENT OF MONIKA EDWARDS HARRISON

We appreciate this opportunity to appear before you to discuss the appropriation for school assistance in federally affected areas. The President's 1983 budget requests $286,880,000 for activities presently in the school assistance in federally affected areas account. The budget proposes that these activities be funded under the Departments of the Treasury, Defense, and the Interior. No funds are requested for school assistance in federally affected areas under the Foundation for Education Assistance.

MAINTENANCE AND OPERATIONS

For maintenance and operations, the request is $283,880,000. All of maintenance and operations is proposed for funding in the Department of the Treasury. In fiscal year 1983, the request proposes to direct scarce Federal resources only to school districts which are most burdened by Federal activities. This request attempts to reflect the true nature of the Federal responsibility.

The $284 million for maintenance and operations will enable us to make payments to school districts for A children, that is, those who live on Federal property and whose parents work on Federal property or are in the uniformed services. Payments to these districts will be made at approximately 80 percent of the previous year's level. This request will enable us to make payments to approximately 1,450 districts serving over 338,000 children.

Payments to school districts for A children recognize the loss to these communities of both a local residential and an industrial tax base to support the educational needs of these children. Most of these children live on military bases or on Indian lands.

In 1983 no payments will be made for B children—who either reside or whose parents work on Federal property. The 1983 request will provide prorated payments under section 2 to school districts having a partial loss of their tax base due to the acquisition of Federal property. No funds are requested for section 6 for the provision of educational services to children who reside on Federal property where the State or local educational agency is unable, because of legal or other reasons, to provide a suitable free public education; the Omnibus Education Reconciliation Act of 1981 transferred to the Department of Defense the funding authorization for section 6.

CONSTRUCTION

In fiscal year 1983, $3 million is requested under the Department of Defense for the impact aid construction program, a reduction of $16.2 million below the 1982 level. Generally, this program assists school districts to provide minimum school facilities needed for educating children when enrollments have grown and the availability of revenues from local sources has been adversely affected because of Federal activities. Additionally, construction and construction assistance is rendered to accommodate pupils residing on certain military installations and pupils residing on Indian lands served by public school systems.

In 1983, the request will provide only for emergency repairs to school buildings located on Federal property, mostly military installations—section 10—a clear Federal responsibility. The budget request for construction is part of the President's effort to curtail Government expenditures and control one source of inflationary pressure.

The Department of the Interior would receive that part of the construction program that is intended to directly assist LEA's that are comprised mainly of Indian lands or that provide a free public education to children who reside on Indian lands—section 14 (a) and (b); the construction activities that provide grants directed primarily to non-LEA's would be transferred to the Department of the Treasury.

We know the reductions in school assistance in federally affected areas are substantial; we had some difficult decisions to make within the constraints of an austere budget allowance. We anticipate that some of the reduction will be offset by increased State and local contributions and/or by more efficient use of funds.

My colleagues and I will be happy to respond to any questions you may have.

INTRODUCTION OF ASSOCIATES

Ms. HARRISON. I have to my right Mr. Bill Stormer, Director of the Impact Aid Program; to my immediate left, Mr. Lawrence Brown, Acting Director of the Division of Elementary, Secondary, and Vocational Analysis in the Office of Planning and Budget; and to my far left, Dr. Gary Jones, Deputy Under Secretary of Planning and Budget.

OPENING STATEMENT

Mr. Chairman, we appreciate this opportunity to appear before you to discuss the request for school assistance in federally affected areas. We are requesting a total of $286,880,000 for activities in that account. Our budget request proposes that all of the activities under the school assistance in Federally affected areas account be funded under the Departments of the Treasury, Defense, and the Interior.

Consequently, we are requesting no funds for this purpose under the Foundation for Education Assistance. Our request is $283,880,000 for maintenance and operations. We are proposing to direct the limited resources in this area to school districts which are most burdened by Federal activities.

The moneys in maintenance and operations will be used for payments to school districts having A children; that is, children who live on Federal property and whose parents work on Federal property or are in the uniformed services. We expect to make payments in 1983 at approximately 80 percent of the previous year's level.

We are requesting no payments for B children, who either reside or whose parents work on Federal property. For section 2 we are requesting prorated payments for school districts having a partial loss of tax base due to the Federal acquisition of property.

We are also not requesting any funds for section 6 because those funds are to be provided within the Department of Defense appropriations. This authority was transferred by the Omnibus Reconciliation Act of 1981.

For construction activities, $3 million is requested under the Department of Defense, a reduction of $16.2 million below the 1982 level. Our request provides only for emergency repairs to school buildings located on Federal property. These are mostly located on military installations.

We consider this a very clear Federal responsibility. As I indicated, we are proposing to transfer all of these programs to other agencies. The Department of the Interior would receive that portion of the construction program that assists LEA's that are comprised mainly of Indian lands. The construction activities that provide assistance to non-Indian LEA's would be transferred to the Department of the Treasury.

We will be happy to answer any questions you might have.

PAYMENTS FOR A CHILDREN

Senator ANDREWS. Your impact aid statement says this budget request attempts to reflect the true nature of the Federal responsibility. You mentioned just a minute ago in summarizing your statement that in the A category, there was a clearcut Federal responsibility. And, obviously, there is, because these children live on Federal reservations in nontaxpaying homes and their parents work in Federal installations that are nontaxpaying. How can you say there is a clearcut Federal responsibility when you now propose to take last year's level, which was cut from 90 percent of equity, and now you take 80 percent of the 90 percent? Where are you going to get the funds to educate these young people?

Ms. HARRISON. We are proposing these reductions in light of the overall economic circumstances facing the nation. We are aware that this will mean that school districts will have to reexamine their priorities, and, in fact, they may have to make changes in the way they currently are spending their dollars.

Senator ANDREWS. In other words, you are telling the school districts to shift these children out of the district?

Ms. HARRISON. We are not saying that at all. We are saying that they would reexamine the kinds of services that are being provided with these dollars. It may be possible that certain activities would be scaled down, or State and/or local dollars could be used to compensate for a portion of the cost.

Senator ANDREWS. You are saying that the children of the, shall we say, airman who happens to be on an airbase should be denied the art course in the public high school he is attending or should be denied the music course. How are you going to have two categories of students? Are you going to have an advantaged student and a disadvantaged student, and do you really think it is fair to the children of our military that they be given a below-average education compared with the regular students who are paid for by taxes?

Ms. HARRISON. No; we do not believe that at all.

Senator ANDREWS. That is what you said.

Ms. HARRISON. We would not be in favor of creating a hierarchy. The school districts use these dollars for general operating expenses; they add them to the other dollars that are generated at the local level and that they may be receiving from the State. They would review their total operating expenses, and, indeed, it may be necessary to make some minor adjustments. We are not saying that they should make them only for those children for whom they receive impact aid funds.

Senator ANDREWS. Are you saying, Ms. Harrison, that this very munificent payment, if it was at 100 percent of entitlement, would be more than the cost of the education of the children?

Ms. HARRISON. No; we are not saying that.

Senator ANDREWS. That is what you are implying, because you say they are getting funds from other places, you say with a limited-tax base. Where are they going to shift their funds from? Are they going to eliminate football or music or what?

Ms. HARRISON. We are not advocating that they would shift from any one activity to another. In fact, we know that it will vary according to the State and local dollars that are available.

TUITION CHARGES

Senator ANDREWS. How many school districts have indicated that they will have to charge tuition or simply close with the amount of funding that you are recommending?

Ms. HARRISON. We have not had any school districts notify us directly. We know that there are some 10 to 12 States in which they are considering tuition charges, but they were considering these in the past. It is not occasioned by the 1983 budget request.

Senator ANDREWS. Would the administration recommend that the Department of Defense pay tuition charges for these children, given what you are doing in cutting to 80 to 90 percent of what is there?

Ms. HARRISON. We have indicated in those cases which have reached the courts that we consider the education of these children primarily a State and local responsibility. That is the position of the Justice Department, and, in fact, we have not encouraged the Department of Defense to pay tuition, nor have they taken the position that this would be an appropriate action.

PAYMENTS FOR A CHILDREN

Senator ANDREWS. You used to have super A and regular A funding. Now you have done away with the super A and regular A as I understand it?

Ms. HARRISON. Right.

Senator ANDREWS. So that all the A's fall in the 80 percent of last year's 90-percent level?

Ms. HARRISON. That is right.

Senator ANDREWS. Do you have any idea where the school districts are going to get the money to educate these children if you cut to this extent? The cost of education is going up; teachers' salaries are going up; the cost of heating certainly has gone up; the cost of replacing these school buildings has gone up; the cost of supplies has gone up.

Ms. HARRISON. We are aware that there will be some school districts which will have to make some clearcut priority choices; again I have to come back to the point that this is a part of the overall reduction in education spending in an attempt to rectify a rather dire economic situation.

Senator ANDREWS. It is different. It is not part of the overall reduction of education spending. These are orphans, you might say, who are not paying taxes to the local school district, and are you suggesting that the school district should be able to tax the homes that are on base that these children live in? Are you recommending to the Justice Department that they allow these bases to be taxed—which would then of course make some sense?

Dr. JONES. We have been testifying on the 149 programs in the Department of Education for the past week, and there is not a single program level at this point that meets with the approval of most Members of Congress that we have appeared before. What Ms. Harrison is saying is that we are given a finite amount of dollars for allocation by the Federal Government in the Department of Education. Based upon those finite resources, we have allocated as our judgment determined.

Senator ANDREWS. This committee will be deciding what we shall do with those other programs, but those other programs are totally different from the category A impact programs.

Dr. JONES. Yes, sir.

Senator ANDREWS. We have more category B impact in my State than A, as every State does, but A is a unique thing. You superimpose these children on a school district. The school district has nothing to say about it. No revenue available for the children. You just say, "Here they are. They are yours. You go educate them." You have no revenue, and then you give them a payment that amounts to about one-third of the cost.

It is a little ridiculous. You have no cut at all as we understand the budget, in title III, developing institution programs and higher education. Is that more important than the A category students?

Dr. JONES. No; but as I said, no level has been satisfactory to all committee members, and even if we request level funding, as we have for title III, that still, in some people's judgment, is not enough money.

1982 PAYMENTS

Senator ANDREWS. There is a lot of difference between a Federal program that comes out and supplements a local program and a Federal program that is in lieu of a local program because they cannot get the local tax dollars.

Another thing, you are working both ends of the stick, too, as I understand it. We have two airbases in my State, one in Grand Forks and one in Minot, and both of them are irate, because you not only say you are going to cut the funds but you slip the delivery. Nobody can tell when the funds are going to be arriving. Payments are normally made in the fall. Neither of our schools received a cent. Now why not?

Ms. HARRISON. We had a situation this year which created some concern on the part of the school districts which in past years received a preliminary payment. That is, the authorizing legislation gives us the authority to make payments of up to 75 percent of the previous year's payment at the beginning of the fiscal year.

In 1981 we exercised that option to make preliminary payments in an effort to get the moneys to school districts quickly. However, because in 1981 we were operating under a continuing resolution and there was a subsequent change in the final appropriations action, we ended up overpaying some school districts, and then having to request moneys back.

In 1982, because we were operating under a continuing resolution, which in fact was late in being enacted, and because there was a rather large shift from the higher operation levels of last year to those in the Reconciliation Act, we decided that we would not make preliminary payments except to those school districts in which the A children amount to a certain proportion of the total and the previous year's impact aid payment was a significant portion of the total budget. That is, we were being very cautious so as not to overpay and have to ask for moneys back.

In terms of our regular payment schedule, we are on schedule and are making payments now of 50 percent of the total estimated payments for the year.

Because some districts received preliminary payments in the past but did not this year, it has created some misunderstandings. The regular preliminary payment was eliminated by the continuing resolution, so we do not have that authority.

Senator ANDREWS. Well, the formula has been known, as I understand it, since December. The continuing resolution was passed then, was signed by the President.

Ms. HARRISON. The applications were not due in until the end of January. Upon receipt of those applications, we have been processing them. The regular preliminary payment of up to 75 percent of last year's payment would have been made at an earlier date, but we do not have the authority to do that this year.

Senator ANDREWS. Take a school district the size of Grand Forks, N. Dak. or Minot, N. Dak. The impact aid payment in the case of Grand Forks was about $1.7 million; Minot was close to that, about $1.6 million. Then you come up and give them a cut in the first place. Then, in the case of Grand Forks, you slip the $1.7 million a month or so. You are taking an extra bite out of the apple that is hurting those districts. You save 10 percent by lowering it to 90 percent. Then you take another 5, 6, or 7 percent by virtue of not paying them when they have to start educating the children. So you can understand why they are irate, why they are not happy.

If it is an obligation of the Federal Government to take care of that kind of education, we have got considerable problems on our hands. The committee has to look at it very closely.

TUITION CHARGES OR REFUSAL TO EDUCATE CHILDREN

You mentioned a minute ago that you have not heard from any State or any school district that said they will stop educating these children or start charging a fee. Yet, the State of Virginia has enacted legislation to charge tuition fees for children of military personnel who attend public schools. That is an act by the legislature. That is about as strong an indication as you can get.

Ms. HARRISON. We are aware that not only Virginia but some 10 or 12 other States are considering tuition charges.

Senator ANDREWS. But you say they have not notified you.

Ms. HARRISON. No; my understanding of your question is whether or not they were calling us and saying that they were closing their schools. There have been several suits filed in court. The Justice Department serves as our agent. We have been successful in both the *York County* case and the *Fairfax County* case, because we have notified them of the amounts of their estimated 1982 payments on an expeditious basis, and we have been able to have them withdraw their tuition charges for this year.

REDUCTIONS IN A PAYMENTS

Senator ANDREWS. That does not speak to the increased burden on the school districts. Hawaii is thinking of adding increased tuition charges, and this is reflective of the fact that the States are not being sufficiently reimbursed by the Federal Government for the education of military personnel. In the face of these actions, how do you justify further reducing these category A payments?

Ms. HARRISON. I would like to point out that we have deviated from our proposal last year of just serving super A's. We have recognized that A children do constitute a burden, but, in light of the economic situation, this is the amount of money that we felt we could request for this program.

HOW DISTRICTS MAKE UP REDUCTIONS IN FUNDS

Senator ANDREWS. In many communities with Indian lands, the local tax base is already stretched to the limit. How are such districts, mostly rural, small town—probably no towns at all—farm districts, supposed to compensate for the reduced Federal aid in impact payments for the Indian schools?

Ms. HARRISON. There are a variety of ways. Some States have large sums of moneys that they are not using for other purposes.

Senator ANDREWS. You say there are varieties of ways. What ways?

Ms. HARRISON. One of the ways, as I have indicated before, is to look at total education programs in the school districts and to make some adjustments within them.

Senator ANDREWS. It does not work that way out in the real world. These are rural areas. These are farmers that are getting less than 45 percent of what is fair for their wheat, and in essence what you are doing is sitting on the other side of the table and saying that because they happen to be next to an Indian reservation, and because the Federal Government has all of a sudden decided they are going to undo impact payments, that somehow or another those farmers are going to have to see their land tax increase by a significant percentage. What, in the name of equity, kind of logic is that?

Dr. JONES. We are not suggesting increased taxation.

Senator ANDREWS. Where are you going to get the money? There is no great big rainbow in the sky that comes down into these school districts. If a school district is 70-percent impacted with a 30-percent tax base, how can they shift money around? Where are they going to get it?

Dr. JONES. They can shift it around by reassessing their priorities at the State level and at the local level.

Senator ANDREWS. If the money is not there to shift, it is a little difficult to shift it.

Dr. JONES. I would only suggest that we are identifying what our budget level can be and that it may cause some effect upon State and local governments as to how they may wish to reallocate the resources at their disposal.

At the local school board level I would presume the school board would identify where the priorities are for the school system and ask their administration to give them suggestions as to what the priorities mean, based upon their operating budget. This is not to say that there will not be an impact and there won't be some hard choices to be made. We recognize that, but we are not suggesting higher taxes. We are simply suggesting that States and localities may have to reallocate their resources.

INDIAN CHILDREN

Senator ANDREWS. There is a lot of talk by the Department of the Interior and the BIA about Indian children in Indian schools. There seems to be a feeling that all Indian children belong in public schools. It's a good place to get an education, because they come into contact with the other children; but the Bureau of Indian Affairs goes on to say that it is up to the States to see that these children receive a first-rate education. As you know, the vast majority of Indian land does not provide any tax base for the local schools. The economy of most Indian communities is very poor, much too poor to help support a school.

Since one arm of the administration is telling us that Indian children belong in a public school, I am wondering why the other arm is cutting the impact aid funding by another 20 percent this year. It just does not work. When they shove the Indian-American off onto the reservation, they put them on the poorest land in this country, land that nobody else wanted. The land that is occupied by their neighbors around the periphery that supports the schools is also poor land, hard-put in this day of agricultural depression to support what needs to be done for these young native Americans. It is totally ridiculous for you to sit there and say that somehow or another they are going to shift some funds around.

Dr. JONES. I respect your judgment of how ridiculous I may be, but I am simply suggesting, sir, that several States have higher priorities apparently that they are allocating funds to than the priority they give education. We are not zeroing out impact aid, but we are giving what we feel is what we can provide at this point in time.

Senator ANDREWS. Aren't we getting down to the bottom line where you are saying, in fact, this is all OMB would allow you and you really are recognizing the budget as not enough, given these unique circumstances?

Dr. JONES. This is the Department's budget, sir.

Senator ANDREWS. I know, and that is a leading question, too.

Senator Burdick?

FEDERAL OBLIGATION

Senator BURDICK. I have been listening to this conversation with a great deal of interest. There seems to be one thing you overlooked. You say the States can rearrange their finances to help pay for some of this. What obligation is this? Isn't this a Federal obligation? Where is the State obligation in this?

Dr. JONES. We accept this as a Federal obligation, Senator. With the resources available at this point, however, we can only fund it as we are suggesting.

Senator BURDICK. But you are saying you admit it is a Federal obligation but you want the States to pay part of it.

Dr. JONES. I would think the States and the localities do get some benefit, Senator, from Air Force bases or whatever being in their districts. The impact aid payments are supposed to make up the difference of what the localities can't accrue in the sense of taxing authority on those lands. To suggest the localities get no benefit from bases is simply an overstatement, in my judgment.

Senator BURDICK. We have an airbase at Grand Forks, at Minot, roughly 12 or 14 miles away from either city. They are there because they are needed to defend the country. That's why they are there. There would be no obligation on the State at all if the bases were not there. This is part of the defense operations. It seems to me it is almost totally a Federal responsibility.

Ms. HARRISON. These bases provide employment for local persons as well. That is why people never want the Army or Air Force base to be shut down. There are lots of civilian jobs involved. To that extent the bases contribute significantly to whatever community they are located in.

Even if that were the only benefit, and we obviously do not believe that it is——

Senator ANDREWS. We closed them down in North Dakota. If you want some missiles and airbases, you tell us where to move them to. You can have them.

BENEFITS FROM MILITARY INSTALLATIONS

Senator BURDICK. I don't think the benefit you are referring to is a direct benefit to the State. The 80 percent of the 90-percent cut comes to almost 20 percent of the cost to be shifted to the local people for a Federal responsibility. That is what we are doing here. It is plain and simple.

We are also doing it with Indians. They are a trust responsibility of the United States, not of the State of North Dakota or any other State, or South Dakota. They are a trust responsibility of the United States. I'm sorry, but I can't quite agree with you on these cuts in this particular area.

Senator ANDREWS. Thank you, Senator.

Senator Abdnor?

Senator ABDNOR. Yes, Mr. Chairman. If I can pursue this discussion of airbases and the great contribution they make. I guess we cannot deny that, but sometimes I think the people, and I maybe should be speaking to OMB, but you folks, too, should make a trip out and visit rural areas. You would be amazed what you would find out at the Ellsworth Airbase. It is 10 miles out in the country. Rapid City is not a very big city, so the airbase has its own school district. It used to be a small common school district before they reorganized. Everything in South Dakota is now 12-year districts.

It was strictly a little country school. Now it is one of our larger high schools in South Dakota. Out of 2,312 students, 1,533 are A students, 280 are B students. The percent of impact aid students is almost 80 percent. They have only been getting 56 percent of the operating cost from impact aid. That is a pretty good effort on the part of some ranchers and farmers out there. You cannot tell me—there is no one in that district getting rich from that airbase. They have something to look at and they happen to have a kid. They send them over there to school. But they are doing about everything they can.

THREATENED SCHOOL CLOSINGS

Mr. Stormer, didn't you say at the Indian Affairs hearing last week that you had not been contacted by any education agencies who fear they will be forced to close?

Mr. STORMER. This is true in terms of the districts serving Indian children.

Senator ABDNOR. My first year, Mr. Chairman, in the Congress, I walked into a revolution. They closed the Douglas School because this sort of thing occurred. They were without school for a while. We finally got the education department and the military department out there, and we managed some way to get it open. I hope I never have to go through that again, but I can assure you Dr. Mueller here, superintendent of the Douglas School, has been heard many times. They are at a point now by, I think, the end of this month the law says they have to offer contracts. They have not got the slightest idea where to go for their money.

I suppose this is one of the real extremes around the country. This is a sad affair. We would like to have the airbase, but somebody besides South Dakota decided it ought to be there and this is quite a responsibility. If you took all of the farmers' income in that district you would not make up the kind of money they have got to have to keep that school going.

I hope you people realize the problem. The chairman stated it very well. I know who you are dealing with, but somewhere, somehow, it is absolutely imperative that we get through to OMB. First we have to get through to you folks the importance of that because it is important. It is just an impossible situation.

TESTIMONY BEFORE SENATE SELECT COMMITTEE ON INDIAN AFFAIRS

I think, Dr. Jones, you made a statement at the meeting last week before the Select Committee on Indian Affairs about—it is fair to say that I think you said that the administration believes in supporting the impacted areas around the Nation, and of course as to what degree and where are we? I would just like to remind you, No. 1, you gave us a substantial cut last year, to 90 percent—and now we're going to go to 80 percent of that amount this year. We are talking about 30-percent reduction over the last 2 fiscal years.

As the chairman said, all of the expenses and salaries have gone up. I guess there is no State that feels the impact more than my State with its Indian reservations. I think we have maybe more than any. I can give you example after example. Let me give you an example of what I am talking about here.

We have what we call the Shannon County schools. It is a countywide district. They have a total enrollment of 1,512 students and 1,422 of them are A students. That is 95 percent of the school, and they have been receiving 69 percent of the budget from impact aid. Now, where in the world are they going to go?

That is the extreme. I have all kinds of them. I can go from there. We have the Todd County schools; 82 percent of the enrollment is impacted. They have been getting 56 percent of their budget. I tell you, the chairman hit it very well when he talked about the kind of resources you have to tax out there. They are nil. Most of them already tax up to the maximum levy in my State.

ALTERNATE SOURCES OF REVENUE

I think you made some comment that we have severance taxes that we could utilize. At that hearing last week I think you made some comment to the fact that we have the power to assess severance tax. Have you ever researched that law? Do you think that the State of South Dakota, if we had some minerals—we don't. Unfortunately we do not have coal, we do not have oil. But I am wondering. I think if you check the law you will find out the State of South Dakota cannot even put sales tax out there on those reservations because it is not legal because of Federal jurisdiction. The State has nothing to do with it.

It would not do us any good if we did have, because we do not have anything to tax.

Dr. JONES. For the record, Senator, I did not advocate that any State start a severance tax. I said the Federal law permitted it and I suggested that those States that were at this time collecting severance taxes may wish to——

Senator ABDNOR. On Indian land?

Dr. JONES. Yes, sir.

Senator ABDNOR. Do they do that in North Dakota?

Dr. JONES. I believe they are doing it in Montana, for one.

Senator ABDNOR. Are they taxing minerals and things on Indian land in the State of North Dakota? I did not think—is that under litigation now?

Dr. JONES. All I suggested in response to a question is that if there are severance taxes being collected by States, that the States may choose to reallocate those dollars that they collect from severance taxes.

Senator ABDNOR. The State could?

Dr. JONES. The State may determine its priorities and how they reallocate those dollars.

Senator ABDNOR. But the point is are you convinced in your mind that the State could put a tax on the reservations, a severance tax on the reservations?

Dr. JONES. I know it is being challenged at this point, sir.

Senator ABDNOR. We have lost it sometimes out in South Dakota. Maybe you have something new.

Dr. JONES. It has lost twice. It is being appealed to the Supreme Court. We recognize that. I was talking in response to the question asked by a committee member of "where are you going to get all of these dollars," and I simply suggested that the State does collect taxes, and one of the forms of tax may be a severance tax. If so, they can decide what the priority is for the allocation of those resources.

Senator ANDREWS. Are you aware of the fact that there is a bill before Congress now by Senator Durenberger and a host of others that would limit the use of these severance taxes? I do not agree with that particular bill and I welcome your support, because what I gather from your comment just now is that you are saying the administration is against that type of an approach and would support those of us who happen to have some energy in increasing our severance taxes out there so that, in lieu of Federal tax payments, we might charge a little bit more tax that all of the energy consumers in the country would pay. Then we could take care of our school needs. I welcome the support from wherever it comes from.

Dr. JONES. I am drawing a very distinct differential here, Senator. I'm not advocating that any State or locality start new taxation or increase the taxation.

Senator ANDREWS. You said that we have to increase taxes if we're going to get along with the suggestion that was just made by your compatriot here of replacing these impact aid funds. You have to shift so many around, the only way to shift it around is to run some more into the pot from another source. And now you come up with the suggestion that we increase severance taxes.

Dr. JONES. I have not advocated that you increase severance taxes. I have not advocated that any State begin to collect severance taxes. I have simply suggested that, if the State wishes, when they do collect tax resources, they can reallocate those tax resources as they so desire.

Senator ANDREWS. That was a suggestion that kind of came into my mind in your response to the question by my good friend and colleague, Senator Abdnor, that in cutting the payment, you suggested that we could make it up in severance taxes. I think that was admirable.

TAXING INDIAN LANDS

Senator ABDNOR. That wouldn't solve things in South Dakota. We have a little bit of a problem. You are aware that we cannot touch the Indian land in the way of taxes. The school districts can't, let's put it that way.

Dr. JONES. I have not addressed——

Senator ABDNOR. I'm not asking. I just want to know. Would you concede that, that my school districts out there cannot tax the Indian land for school purposes? That's the start of it.

Dr. JONES. In answer to your question, Senator, I have not advocated that any State start doing that.

Senator ABDNOR. OK; but let's go to this. Here I am with a school district I told you about, Shannon County, where 95 percent of the enrollment in that school is made up of impacted A students. Right now they are only receiving for that school 69 or let's say 70 percent of what it costs to operate. That does not leave very much.

You see, when you take—it costs almost $15,500,000 to run that and you give almost—I'm bouncing it around. $5,400,000 to run it and we get $3.7 million for that district from Federal impact aid. But that still leaves a tremendously big sum to try to raise out of that little bit of ownership of that land. There is a vast amount of it that is reservation and we have unfortunately—not the ranchers who are part of the reservation. They have a little school. They would have had a country school and sent their kids over to another high school, but they have quite a facility there and this is what they wanted from here in Washington. They're trying to keep it up. Now, where are they going to get the money? Just tell me? I would be happy to take the message home.

You say they can rearrange their priorities? They have had to do a pretty good job of rearranging to make up over 30 percent of their share of the budget to accommodate the 95 percent of the enrollment. I mean, they have already been going through priorities. They have done about all they can do.

Every year we come along, and now—2 years ago—now we're at 70 percent of what they used to get. They have done a pretty good job. Every rancher—you do not have much to go on out there. That's the only thing. These people are desperate. Are we going to have a school or not? They have to start signing their teachers to a contract by law, and they are reluctant to sign anything where they don't have—they don't know where they're going to stand.

EFFECTS OF REDUCTIONS IN FUNDS

I think it's important that people take a look at this, including Mr. Stockman. I have talked to him. I have told Stockman to his face, that he does not understand the problem. And somehow, some way, we have got to get through to these people. What you are doing here—it is great to cut, and we have been very supportive, trying to do this. But there are some areas it just cannot be done any further. It is a matter of are you going to have a school or aren't you going to have a school? That is the situation we are into.

Ms. HARRISON. There may be instances where this is a possibility, but in looking at the policy of this program and looking at the funding levels, we do not believe that is the circumstance in very many places. That may be happening in your particular district, but you can look at other school districts which receive a large amount of aid, and that is certainly not the case in many of them.

Senator ABDNOR. I can understand some of the A's that we've had over the year. Maybe we better have a separate category or put them under taxation so they can pay taxes or something. But as far as my State making an effort, I just had these given to me, and it's correct, almost 30 percent of what South Dakota spends goes into the elementary and secondary education. Other things go by the wayside in order to try to sustain the schools. We don't have any great wealth to turn to. Our wealth is agriculture.

As the good chairman has pointed out, there is not much left anymore to tax.

I hope we have gotten the message through that we are desperate.

Dr. JONES. If I may take one moment, obviously, in your estimation we have not placed this program at quite as high a priority as we should have. But if I may, I would like to briefly indicate to you what our basic priorities were within the Department when we put together this budget.

Very briefly, for the Foundation for Education Assistance budget, we found 28 percent of our dollars were allocated to the guaranteed student loan program, another 22 percent to the chapter I program, and 20 percent to handicapped. So, in those three large programs, 70 percent of our dollars are allocated. We placed a high priority on aid for disadvantaged students, the handicapped, and Pell grants.

$5,000 MINIMUM PAYMENT

Senator ANDREWS. The thing that the committee is concerned about is the—you know, in a sense, that is irrelevant, although it brings something to my mind that, again, frustrates me. If I remember, those 17 Western States voted this administration into office, and the educational programs you have been coming up with have been tilted so much in a biased way against the Western States. If you thought there was a Western revolution against some of the things that Carter did, just wait and see.

You just talked about student loan programs. You came up with a turkey of a student loan program that fixed it so that no farm kid in North Dakota could get a student loan because they went not to the value of the land, but some inflated crazy statement about what the land is supposed to be worth as a hedge against inflation. We had to fight that one through to get it changed.

Now, you come in here with your bias on impact aid, which falls hardest on those airbases that are next to small Western, rural towns and hardest on the rural areas that surround the Indian reservations in the West. And then you come up with a doozie of a threshold payment of $5,000, and you throw out any impact aid payments to any school district that is less than $5,000. Where are they? They're in the rural West, again. You eliminated 24 school districts in North Dakota with your crazy threshold thing, your antirural bias.

We have busing out in North Dakota, not because we're trying to mix people up. We like everybody. We don't worry about what the color of their skin is or anything else. We got busing because we have to go so darn far to get enough kids together to make a school. We have got to go out 25, 30, 40 miles with the schoolbus to bring the kids into a school. And then you come in and say, "Tough, because you are a small school, and you get less, $3,000 or $4,000," even though that is a big part of our payment. You say, "We're not going to have that."

Ms. HARRISON. The $5,000 minimum payment is a statutory requirement, as I understand it, included in the continuing resolution.

Senator ANDREWS. You have been interpreting it as this. We haven't been doing it before.

Ms. HARRISON. The continuing resolution includes language for this provision.

Senator ANDREWS. I'm sure. I am told that my friends over in the House did that, so I cannot blame you for that. That's good. Chalk one up.

CONSTRUCTION ACTIVITIES

Let me go to one final thing, on construction, under the impact aid. And then I will leave the rest of my questions for the record.

The budget requests no funds for impact aid construction on Indian lands. The budget justification states, as I understand it, that funds are requested for repairs only on military facilities, which you call—and I quote again— a "clear Federal responsibility."

You mean to imply by this that construction on Indian lands is not a Federal responsibility? Why not? Whose responsibility is it?

Ms. HARRISON. I would like to defer to Mr. Stormer.

Mr. STORMER. This request level for construction activities is a result of the economic problems we are faced with. There is no construction money asked for under any of the sections of Public Law 81–815 except the $3 million in 1983 to maintain 150 buildings on certain Federal lands. These are mainly on military bases. There is to be no new construction. There is only the $3 million to take care of the emergencies—roof repairs, keeping the doors on, and keeping these buildings open and operating.

Senator ANDREWS. If you're going to fix the roof and keep the doors on, I'm sure the children will appreciate that.

CONSTRUCTION ON INDIAN LANDS

In 1982, how much will be obligated for Indian lands?

Mr. STORMER. $8.2 million.

Senator ANDREWS. And that represents the cleanup of all of the construction needs on the Indian lands?

Mr. STORMER. No, sir.

Senator ANDREWS. But you all of a sudden, by sweep of the pen, arrogate unto yourself the undoing of the Federal responsibility for building these schools on Indian land.

Mr. STORMER. This portion of Public Law 81–815 program is proposed to be transferred to the Bureau of Indian Affairs under the Foundation for Education Assistance proposal. I would imagine there would be a reassessment at that point in time as to——

Senator ANDREWS. There is no budget figure in the BIA to take care of that. What mechanism then do you propose to finance the needed construction on Indian lands?

Mr. STORMER. As I stated earlier, there would be no construction initiated in 1983.

Senator ANDREWS. A moment ago, you said the construction was needed. The end of construction has not come about, the need is still there.

Mr. STORMER. Yes, sir. A need has existed in school construction, both in terms of children residing on Indian lands and children residing on certain military installations for a number of years.

Senator ANDREWS. You said you are going to patch the roof and keep the doors on, but if a serious building collapse occurred on an Indian school, who would pay for the needed repairs?

Mr. STORMER. That would be a State and local responsibility.

Senator ANDREWS. Who, local?

Mr. STORMER. The local school district.

Senator ANDREWS. It's on Federal land.

Mr. STORMER. None of the public schools, even though they are situated on Indian lands or leased Indian lands, are owned by the Federal Government. These are all local school district-owned school facilities, although their construction was supported by Federal dollars, as well as local dollars if there were any.

Senator ANDREWS. They are not owned by the Federal Government, but they are supported by impact aid money, because there is no resource for the support of them otherwise. Who's legally liable for any personal harm that might befall an Indian child if the roof caves in?

Mr. STORMER. The local educational agency. The Federal Government has no responsibility whatsoever.

FEDERAL RESPONSBILITY FOR INDIAN CHILDREN

Senator ANDREWS. But the Federal Government has a responsibility for that Indian child.

Mr. STORMER. Injury to a child from the collapse of a school building would be a responsibility of the local educational agency.

Senator ANDREWS. Ken Smith, Assistant Secretary for Indian Affairs, testified before a subcommittee that I was chairing not too long ago, and he said they were going to close down the Indian boarding schools because they were going to send them back to the local schools. And now you are shutting down the local schools. Where are they going to go? Are you going to hang them from a tree someplace and expect they're going to be educated out in the wind and the rain?

Mr. STORMER. I was not advocating closure of public schools.

Senator ANDREWS. If the roof falls in, that is pretty much a closure. I hope you have been on Indian reservations. I have.

Mr. STORMER. I have.

Senator ANDREWS. The need is there.

Mr. STORMER. I do not question that.

Senator ANDREWS. The greatest challenge this Nation faces is to turn the native Americans, through education, into individuals who can richly take their share in this society of ours and contribute the fantastic things they have to contribute. It is an investment in the future of the country. And now we have a new administration that says, "No, they are not worth looking at, we cannot do it." I think you are backing away from something pretty important.

Senator ABDNOR. I feel compelled—sometimes I have found people in Washington—I do not mean to reflect on your ability and knowledge—that really do not understand what we are talking about here. We go back to the local level. There's no State with more agriculture than mine, I guess, because we do not have the wealth in minerals or other resources.

I just compiled some figures—I'm chairman of a Subcommitee on Joint Economics. I am trying to get the message across to some economists in this country that farmers are in trouble. Our figures—and we can back them up—show this year, for instance, that the net projected income in agriculture is going to be less in real dollars than it was during the Depression years of 1930 to 1934. All they're going to receive is $5.5 billion in real dollars, even though it says $16 billion, which is a big drop from last year.

I looked at 1973 farm debt. Farmers, for every $1 of income, had $2 of debt.

In 1981, they have, for every $1 of income, $7 of debt.

In this year, in 1982, with the projections from the Department of Agriculture, there is going to be $1 of income for every $12 of debt. These people don't know where they're going, let alone saying—they're already taxed to the maximum by State law on this land. It's all that's running the schools out there. It is a desperate situation, and people do not fully understand.

I had some economists come from the Government and also from the outside, and I am firmly convinced they do not have the slightest idea what the problems are and how desperate it is getting out there with the situation the way it is.

Last year the Department provided my office a list of the super A districts across the Nation, State by State, and I would like to have that listed in the record, if I might, Mr. Chairman.

Senator ANDREWS. Fine.

[The information follows:]

South Dakota School Districts
With 20% Or More Impact Aid Students
1980-81

School District	ADA	Number "A" Students	Number "B" Students	% of Impact Aid Students	*Total Receipts	Impact Aid Entitlement	% of Budget
Andes Central	457	128	62	41.6	961,949.60	207,582	22
Bennet County	623	188	46	37.6	1,522,029.41	367,425	24
Bonesteel	192	43	--	22.4	478,458.56	72,869	15
Chamberlain	1,088	228	38	24.4	2,049,524.94	334,140	16
Douglas	2,312	1,533	280	78.4	5,098,734.17	2,845,199	56
Dupree**	294	164	16	61.2	665,866.80	260,730	39
Eagle Butte	730	547	40	80.4	1,790,745.85	850,148	47
Harrold	150	49	--	32.7	538,996.87	97,099	18
Hot Springs	968	10	254	27.3	2,113,720.51	119.093	6
Isabel	90	44	--	48.9	353,542.26	86,757	25
Kadoka	466	346	60	87.1	1,680,626,95	718,420	43
Lyman County	564	151	24	31.0	1,648,161.29	301,389	18
Mc Intosh	279	141	51	68.8	1,044,123.18	327,436	31
Mc Laughlin	526	280	34	59.7	1,458,160.85	490,372	34
Shannon County	1,512	1,422	5	94.4	5,386,585.43	3,701,559	69
Sisseton	1,257	375	291	53.0	2,635,004.23	732,583	28
Smee	129	120	6	97.7	484,226.23	252,828	52
Timber Lake	327	67	--	20.5	676,227.10	108,808	16
Todd County	1,595	1,246	57	81.7	4,598,400.41	2,567,262	56
Veblen	162	38	24	38.3	528,198.71	94,060	18
Wagner	709	167	82	35.1	1,439,127.35	271,032	19
Waubay	368	130	4	36.4	850,244.64	205,446	24
White River	394	185	78	66.8	789,302.08	123,628	16
Wood	115	19	62	70.4	487,430.02	76,072	16

**Estimated - No Entitlement Data Available at Present

*Total of Local, County, State, & Impact Aid

SUBMITTED QUESTIONS

Senator ABDNOR. I would also submit a couple of questions that I have here.

Senator ANDREWS. The committee has a number of questions that we will submit to you for answer in the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

FEDERAL COMMITMENT FOR MILITARY CHILDREN

Senator D'Amato: Federal installations, such as the Mitchel Manor Military Base in East Meadow, New York and West Point in Highland Falls, New York, have removed several revenue producing properties from district tax rolls. Any reduction or removal of impact aid from these and other communities would place a great burden on the local tax base and threaten the quality of the educational programs which the schools can provide.

What steps are being taken to ensure that the Federal government is honoring its commitment to military children, their families and the communities in which they reside?

Answer: Payments will be made for all "a" military children in 1982 and 1983. Payments will be made in 1982 for "b" military children also. Due to the limited resources available for this program in 1983, a decision was made to fund "a" children only since they represent the most serious burden to their school districts. The parents of "b" children contribute most of the tax resources that the parents of non-federally-connected children do.

PROPOSED TUITION CHARGES

Question: The State of Virginia has enacted legislation to charge tuition fees for children of military personnel who attend public school. The Committee understands that a number of other States, such as Hawaii, are considering legislation to charge similar fees. These actions reflect the fact that States feel they are not being sufficiently reimbursed by the Federal government for the cost of educating children of military personnel. How do you rationalize imposing this fiscal burden on military personnel and their dependents?

Answer: No school district has yet actually charged tuition for military children. In both instances in Virginia where this issue was pending, the tuition notices were withdrawn and the legal suits dismissed. We do believe that the Federal Government must share the burden of educational costs for "a" military children, and our budget proposal reflects that. However, we believe that the parents of "b" children contribute to the local tax base, and the military installations they are associated with generate additional income to the community. Therefore, we feel that these children do not represent a true burden to their school districts.

Question: How many States do you know of that are considering legislation similar to that enacted in Virginia? Which ones?

Answer: In addition to Virginia, there are 12 States that we know of which have been enacted or are considering legislation that would allow them to charge tuition for federally-connected children. They are: Hawaii, Delaware, New Hampshire, New York (an Attorney General's opinion with the effect of legislation), North Carolina, Nebraska, Pennsylvania, Oklahoma, Connecticut, Rhode Island, New Jersey, and Louisiana.

INDIAN SCHOOL DISTRICTS

Question: The Labor-HHS-Education Subcommittee is very concerned about the plight of the poor, underserved, Indian school districts under this budget. Many Indian school districts have few, if any, resources available to help pay for educational costs in public schools; and even if they do, Indian land, by law and treaty, cannot be taxed. In school districts with a lot of Indian land, Federal Impact Aid payments are crucial. How many school districts may be classified as Indian districts?

Answer: In 1982, we anticipate that payments will be made to 661 school districts in behalf of Indian children.

PAYMENTS FOR "a" CHILDREN

Question: The budget request for "a" category impact payments is $275 million, a reduction of $70 million from the fiscal 1982 level. As you know, the parents of "a" category students both live and work on Federal property. How much would it cost to provide full funding under the law for all "a" payments in fiscal 1983?

Answer: We estimate that payment of full entitlement for "a" children in 1983 would cost well over $500 million.

3(d)(2)(B) PAYMENTS

Question: There seems little disagreement that certain, so-called 3(d)(2)(B) districts, which have more than 50% federally-connected students, have unique and very severe problems. For a number of years, Congress has had to add bill language to make sure that these few, special districts receive full funding. Once again, you have not requested special language in the budget to protect these districts. How do you justify your budget's failure to provide for 3(d)(2)(B) districts?

Answer: Since payments under our proposal will be calculated as a percentage of the prior year's payments, districts which qualified under 3(d)(2)(B) in 1982 will maintain their position of receiving higher payments relative to all other LEAs receiving payments in 1983. At the time we had to submit our initial budget request, we did not have in hand the information we would need to propose a specific strategy for 3(d)(2)(B) districts different from that provided for in the authorizing legislation. Without being able to calculate the cost of a specific proposal for 3(d)(2)(B) districts, we could not determine how such a proposal would affect a funding strategy for the other districts.

Question: Do you feel that these districts do not have unique, pressing needs? Why?

Answer: We do feel that these districts have unique, pressing needs, and the basic legislation makes special provisions for such districts.

Question: In fiscal 1982, how many such 3(d)(2)(B) districts are there? How many were there in fiscal 1981?

Answer: At this time, we have 60 applicants under 3(d)(2)(B) which meet the basic population eligibility requirement. However, we will not know until later in the fiscal year--when we have received actual fiscal data from the applicants and their States and all applicants have had the opportunity to amend their applications to include this provision--which districts will ultimately receive increased payments. In 1981, two districts received increased payments under 3(d)(2)(B)--Douglas, South Dakota, and Fort Leavenworth, Kansas--out of approximately 40 initial applicants.

PAYMENTS FOR "b" CHILDREN

Question: The fiscal 1983 budget requests no funding for "b" category payments. The Committee supports the phase-out by fiscal 1984 of "b" payments, but questions what impact the elimination of "b" payments in fiscal 1983 might have. In fiscal 1982, how many districts have received "b" payments?

Answer: We anticipate that approximately 2,000 districts will receive payments in behalf of "b" children in 1982. All of them should have received a partial payment by this time.

Question: What are the largest 25 such payments?

Answer: The following 25 districts will receive the largest payments for "b" children in 1982, according to current estimates:

Virginia Beach, Virginia	$1,754,120
District of Columbia	1,541,174
Fairfax County, Virginia	1,389,661
Cumberland County, North Carolina	1,167,228
Norfolk City, Virginia	873,281
Atlanta Public Schools, Georgia	850,646
Prince William County, Virginia	817,524
Puerto Rico	789,929
Killeen ISD, Texas	724,342
Chicago Public School, Illinois	681,834
Okaloosa County, Florida	662,170
City of Bellevue, Nebraska	658,517
Brevard County, Florida	631,773
Lawton, Oklahoma	623,304
Davis County, Utah	565,779
Richmond County, Georgia	556,511
Hampton City, Virginia	554,359
Huntsville City, Alabama	499,216
Pittsburgh, Pennsylvania	493,754
Newport News City, Virginia	491,301
San Diego Unified, California	440,480
Anslow County, North Carolina	434,911
Guam	429,329
Chesapeake City, Virginia	420,493
Weber SD, Utah	409,453

Question: What effect has the provision had, that no district receive a payment if it fails to exceed $5,000? How many districts did this eliminate in fiscal 1982?

Answer: The $5,000 minimum payment provision has reduced the number of districts receiving these funds by approximately 1,770 from 1981 to 1982, all of which received payments in behalf of "b" children in 1981.

FEDERALLY-SUBSIDIZED LOW-INCOME HOUSING CHILDREN

Question: The Education Amendments of 1978 greatly expanded eligibility for Impact Aid for students who reside in federally subsidized public housing. How many students and how many schools are potentially eligible for funding under this provision?

Answer: In 1982, payments will be made to approximately 900 school districts in behalf of over 700,000 children who reside in low-rent housing. In 1981, 1,480 school districts received payments for over 757,000 such children. In 1983, fewer than 120 districts will receive payments for approximately 6,170 such "a" children.

Question: How many are "a" students and how many "b"? How is this distinction made?

Answer: In 1981, there were 7,460 "a" children and 750,110 "b" children residing in low-income housing. In 1982, there are approximately 7,300 "a" children and 700,800 "b" children. We estimate that there will be over 6,100 low-income housing "a" children in 1983. The parents of "a" children must live in federally-subsidized, low-income housing and work on Federal property.

Question: How much money under each category went to public housing students in FY '82? In FY '81?

Answer: In 1982, we estimate these payments will amount to $1,145,000 for "a" children and $18,564,000 for "b" children. In 1981, they were $1,347,000 for "a" children and $71,502,000 for "b" children.

DISASTER ASSISTANCE

Question: In FY '81, the Committee included bill language that raised the minimum claim for disaster assistance from $1,000 or one-half of one percent of a district's operating expenses to $10,000 or five percent. The Department is requesting the same language again this year. What has been the impact of this language?

Answer: The time-consuming processing of many, small claims has been eliminated. The staff are now able to concentrate on the prompt processing of the larger claims for which funds are most urgently needed. The number and size of applications varies greatly from year to year and cannot be predicted, but, in 1978, these small claims amounted to half of all claims but required only six percent of the funds.

Question: Why do you request authority for disaster assistance payments but not funds?

Answer: We are requesting authority to use 1976 hold harmless funds, which are not needed for their original purpose, for disaster assistance in 1983. We received permission to use these funds for this purpose in the 1981 Continuing Resolution but did not need them because we received a $20 million supplemental appropriation after Mt. St. Helens erupted which was available in 1980 and 1981.

ALTERNATIVE STRATEGIES

Question: In fiscal year 1981, the budget request for Impact Aid proposed reducing payments according to a formula: If 2.5% of a school district's budget was made of "a" payments, it would continue to receive Impact Aid funding; if 5% of its budget was "b" payments, it would still receive funding. (The final FY '81 appropriation did not use this formula.) Did the Department of Education consider a similar formula approach this year? Wouldn't such an approach target aid to needy districts?

Answer: A formula similar to the one proposed in 1981 was not considered this year. We felt there were not sufficient funds available for 1983 to do more than pay districts with "a" children at as high a rate as possible. We feel our proposal targets aid to the districts with the greatest burden from providing educational services to federally-connected children.

Question: What other options to the present budget were considered this year? Why were they rejected?

Answer: We considered a proposal to make payments at a higher rate to "Super a" districts. We felt that we did not have data available at the time we were required to submit our initial proposal to make accurate estimates for such a proposal or for the effects on other districts that would result from such a proposal. Since payments in 1981 were higher for "Super a" districts than all other districts, payments in 1982 are based on 1981 payments, and payments in 1983 are to be based on 1982 payments, "Super a" districts will receive higher payments relative to other districts.

CONSTRUCTION FUNDS

Question: The budget requests a total of $3,000,000 for Impact Aid Construction, all on military land. Do you anticipate additional request for construction funds as a result of the increases in the military budgets? If, yes could you list the affected school districts?

Answer: We do not know what the effects of increases in the military budget will be in terms of additional children requiring educational services or where such children might be located. Therefore, we cannot predict future needs for construction funds.

Question: In fiscal year 1982, how much will be obligated for construction on military land?

Answer: We plan to obligate the full $8,160,000 provided under the 1982 Continuing Resolutions.

Question: The Reconciliation bill of 1981 set an authorization ceiling of $20 million for Impact Aid construction. How will the authorization ceilings for this program established under the Omnibus Budget Reconciliation Act affect your ability to complete construction projects?

Answer: The authorization ceiling of $20 million in the 1981 Reconciliation Act will mean that a limited number of projects could be funded each year, and it will take longer to reach applicants on the priority lists. It may also be necessary in some cases to fund partial projects since the total cost of a project may be more than the total funds available in any one year.

Question: What is the current backlog of construction projects for Indian lands? For military lands?

Answer: Applications for funds for construction on Indian lands currently number 96 and require approximately $220 million. Under Section 10, Construction on Federal Property, requests number 66, for approximately $285 million.

Question: What type of school facilities are in the most serious need of repair? Where are these facilities located?

Answer: Applications are ranked in priority order according to criteria established in program regulations. Those at the top of the lists would be the most serious cases; they are scattered across the country.

SUBCOMMITTEE RECESS

Senator ANDREWS. I appreciate your coming.

We will be in recess until 2 p.m.

[Whereupon, at 12:06 p.m., Tuesday, March 16, the subcommittee was recessed, to reconvene at 2 p.m. this same day.]

(AFTERNOON SESSION, 2:20 P.M., TUESDAY, MARCH 16, 1982)

EDUCATION FOR THE HANDICAPPED AND REHABILITATION SERVICES AND HANDICAPPED RESEARCH

STATEMENT OF JEAN TUFTS, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

ACCOMPANIED BY:
- HERMAN R. GOLDBERG, EXECUTIVE ADMINISTRATOR, OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES
- GEORGE A. CONN, COMMISSIONER, REHABILITATION SERVICES ADMINISTRATION
- RICHARD LECLAIR, ACTING DEPUTY DIRECTOR, NATIONAL INSTITUTE OF HANDICAPPED RESEARCH
- GARY L. JONES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION
- EDWARD SONTAG, DIRECTOR, SPECIAL EDUCATION PROGRAMS

SUBCOMMITTEE PROCEDURE

Senator WEICKER [presiding]. The subcommittee will come to order.

In the first session of the 97th Congress, proposals for repeal of our Nation's special and vocational rehabilitation laws were rejected, as were suggestions for deep cuts in these service programs for disabled Americans.

Today we meet to consider evidence as to why Congress should reconsider and reverse its actions of last year.

Mrs. Jean Tufts, Assistant Secretary for Special Education and Rehabilitative Services, together with her staff and other officials from the Department of Education, will have the opportunity to discuss the fiscal requirements of the laws they are charged with administering; plus the requirements of any amendments to these laws as may be proposed by the administration.

PREPARED STATEMENT

Mrs. Tufts, we will enter your prepared statement in the record, and we ask that you briefly summarize the administration's proposals for each of the major appropriations accounts covered by this hearing, rehabilitative services and handicapped education.

Please introduce your associates, and proceed.

[The statement follows:]

STATEMENT OF JEAN TUFTS

Education for the Handicapped

I appreciate this opportunity to present the fiscal year 1983 budget request for Education for the Handicapped. The request of $845,668,000 is based on proposed legislation and represents a continued commitment to addressing the needs of the States as they pursue the goal of providing quality education programs for handicapped children. In 1983, this account will be included in the Foundation for Education Assistance.

Of the total amount requested, it is estimated that $771,685,000 will be distributed to States under a new Special education block grant. It is estimated that the remaining $73,983,000 will be used for a Special purpose funds activity under which many of the current programs funded through separate categorical budget activities will be consolidated. It should be emphasized that this distribution is based on estimates and is subject to change based on the final legislative proposal.

The President also proposed 1982 rescissions of $288,932,000 from the Continuing Resolution level of $1,188,600,000 for handicapped programs funded under the Education for the Handicapped account and the Compensatory Education for Disadvantaged Students account.

State Grants

State grants under Special education block grants will consolidate three programs: Handicapped State grants and Preschool incentive grants currently under the Education of the Handicapped Act, and the State administered program for the handicapped under Chapter 1 of the Education Consolidation and Improvement Act. The proposed legislation will improve the ability of States to effectively use Federal funds while continuing to address the fundamental educational needs of their handicapped children. The proposed legislation will provide for administrative simplification, increased State flexibility, and reduced burden for State and local governments.

Special Purpose Funds

The 1983 request of $73,983,000 for Special purpose funds will be used for discretionary budget activities. This represents a reduction of 16 percent from the fiscal year 1982 comparable level of $87,072,000. These funds will enable us to continue our support for those activities which are most appropriately conducted by the Federal Government. Perhaps the most important areas relate to the need for continued research into the special education needs of severely and profoundly handicapped children. We are seeking to determine the best ways to achieve the goals of deinstitutionalization and integration of handicapped children with their nonhandicapped peers.

In addition, we will design our discretionary programs to enhance the capability of State and local governments to deliver services to handicapped children in an effective and cost-efficient manner.

The over-arching goal of our fiscal year 1983 budget request is to be responsive to the needs of our Nation's handicapped children. Within the overall Federal budget constraints, we will endeavor to assure that they receive the full range of opportunities that are available to other children. Through a concerted and cooperative effort with the States, we feel that we can continue to make progress towards this goal.

Fiscal Year 1982 Rescissions

The 1982 rescissions are proposed for two programs. First, the State Grant program under the Education of the Handicapped Act would be reduced by $258,572,000, from $931,008,000 to $672,436,000 Second, the State administered program for the handicapped under Chapter 1 of the Education Consolidation and Improvement Act and funded through the Compensatory Programs for Disadvantaged Students account, would be reduced by $30,360,000 from $146,520,000 to $116,160,000. These rescissions are part of the President's program for economic recovery and reflect the continued need to curtail the Federal Government's expenditures.

My colleagues and I will be pleased to answer any questions you may have on this budget request.

Rehabilitation Services and Handicapped Research

It is my pleasure to be here today to present the fiscal year 1983 budget request for Rehabilitation Services and Handicapped Research. This account includes activities of the Rehabilitation Services Administration, the National Institute of Handicapped Research, and the National Council on the Handicapped.

The President's 1983 budget requests $650,000,000 for activities presently in the account for Rehabilitation Services and Handicapped Research. The budget proposes that these activities be funded under the Department of Health and Human Services. No funds are requested for this account under the proposed Foundation for Education Assistance. These programs are proposed for transfer rather than for inclusion in the Foundation since these programs are not focused on school-based concerns or student assistance.

The total request includes $623,316,000 for rehabilitation services, $26,491,000 for the National Institute of Handicapped Research, and $193,000 for the National Council on the Handicapped. The total request represents a decrease of $211,000,000 below the 1982 revised request level of $861,000,000. The President also proposed a 1982 rescission of $91,171,000 from the Continuing Resolution level of $952,171,000 for this program.

Rehabilitation Services

For Rehabilitation services, the request is $623,316,000. All of Rehabilitation services is proposed for funding in the Department of Health and Human Services.

The purpose of the funds requested is for rehabilitation services specifically targeted toward aiding handicapped individuals 16 years of age or older, to enter or return to the mainstream of society by helping them to achieve their potential for employment and independent living. The request covers two activities, the Basic State grant program and a new Special purpose funds activity.

For the Basic State grant program, $579,536,000 is requested for 1983. This is a decrease of $192,333,000 or about 25 percent from the fiscal year 1982 revised request of $771,869,000. The decrease proposed for fiscal year 1983 is part of the President's program for economic recovery and reflects the continued need to curtail the Federal Government's expenditures.

The amount included in the 1983 budget is for an improved program under proposed legislation to amend the Rehabilitation Act. We are proposing legislation to amend this Act to provide for administrative simplification and increased flexibility in the way the State may operate the program.

The time is ripe for a change of this kind. Since the inception of the program 61 years ago, an estimated 6,200,000 individuals have become productively employed with another 16 million served. A comprehensive system for delivering services to physically and mentally handicapped people is in place and working. The States now have the capability to assume greater responsibilities for program support along with increased discretion over program operations.

Legislation is also being proposed to consolidate the many discretionary activities in the present Act into a Special purpose fund to be administered at the Federal level. The 1983 budget provides $43,780,000 for this activity or $16,594,000 less than is available in 1982 for Service projects, Independent living, and Training. The proposed changes to the Act will allow us considerable flexibility in targeting funds where the need is greatest. Activities more appropriately conducted by the States such as In-service training, Client assistance, and Special recreation programs would not be funded at all, freeing resources for activities that would produce the greatest return for the Federal investment, such as Projects with industry and Comprehensive rehabilitation service centers.

National Institute of Handicapped Research

The fiscal year 1983 budget request for the National Institute of Handicapped Research is $26,491,000, a decrease of $2,069,000 below the fiscal year 1982 level. The President's budget proposes that this program be transferred to the Department of Health and Human Services.

The Institute considered 1982 as a transition year for supporting its various research activities. These activities include support for both research and training centers and rehabilitation engineering centers, and grants for discrete research and demonstration projects. Center programs were funded on a one-year basis so that longer-term grants could be delayed until 1983, when they will be based on established priorities and the policy guidance of the National Council on the Handicapped. As a result, priorities for 1983 will be published in the Federal Register and a full competitive grant process will be held with grants awarded for project periods up to 60 months' duration.

Research priorities will include a new emphasis on problems of handicapped children and youth, on learning disabilities, on technology evaluation and stimulation of industry, on minority and other underserved populations, and on innovative models for the delivery of rehabilitation services.

National Council on the Handicapped

For the National Council on the Handicapped, which is also proposed for transfer to the Department of Health and Human Services, we are requesting $193,000, which is $4,000 below the 1982 level. The Council is composed of 15 members appointed by the President and confirmed by the Senate and is mandated to meet not less than four times a year. In 1983, the Council will continue its oversight responsibilities on programs for the handicapped.

Fiscal Year 1982 Rescissions

For fiscal year 1982, a rescission of $91,171,000 is requested from the $863,040,000 available for Basic State grants under the third continuing Resolution in effect through March 31, 1982. The revised funding level of $771,869,000 would provide services to an estimated 1,253,000 handicapped individuals, including 688,000 who are severely handicapped. Approximately 202,000 handicapped persons would be productively employed.

Thank you, Mr. Chairman. My colleagues and I would be pleased to answer any questions you and the members of the Committee may have.

BIOGRAPHICAL SKETCH

NAME : Mrs. Jean S. Tufts

POSITION : Assistant Secretary for Special Education and Rehabilitative Services

BIRTHPLACE AND DATE : Melrose, Massachusetts, October 7, 1927

EDUCATION : Boston University, 1949, B.S.
Boston University, 1963, M.Ed.

EXPERIENCE
Present : Assistant Secretary for Special Education and Rehabilitative Services

1980-1981 : President, National School Boards Association (Officer 1978-1980, Board of Directors 1970-1981, Regional Chairperson 1970)
1979-1980 : Consultant, Preschool Programs for the Handicapped, New Hampshire State Department of Education
1974-1979 : Policy in National Council for Accreditation of Teacher Education (Council Member 1974-1979, Chairperson, Standards Committee 1976-1978)
1973-1979 : Senior Project Officer, New England Program in Teacher Education
1976 : Participant, National Arts Education Conference
1970-1975 : Member, New Hampshire State Board of Education
1970-1975 : Member, New Hampshire Commission
1949-1974 : Executive Director, The Rehabilitation Center, Portsmouth, New Hampshire

1970-1973 : Executive Director, Greater Manchester Child Care Association, Manchester, New Hampshire
1968-1971 : New Hampshire School Boards Association (President 1971, Officer 1968-1970, Executive Council 1966-1968)
1968-1970 : New Hampshire Teacher Education Council
1961-1970 : Principal, Rockingham School for Special Children,

ADDITIONAL EXPERIENCE : Council for Exceptional Children, Policy Options Project, Advisory Council
: National Committe on Arts, Education and Industry, Advisory Council
: Delegate, President's Commission on the Family
: National Committee, Friends of Public Broadcasters
: Governor's Task Force on Education, Special Education
: New Hampshire Committee on Children and Youth
: Governor's Committee on Laws Affecting Children and Youth
: United Health Systems Agency, Regional Council
: Developmental Disabilities Committee
: Corporation New Hampshire Savings Bank
: 4-H Club Leader
: Cub Scout Leader
: Rockingham School Board of Directors

INTRODUCTION OF ASSOCIATES

Mrs. TUFTS. I would be glad to introduce my associates: I have Dr. Herman Goldberg with me, who is my Executive Administrator; I have Dr. Edward Sontag, who is the Director, Special Education Programs; and Dr. Gary Jones, Deputy Under Secretary for Planning, Budget, and Evaluation.

SPECIAL EDUCATION BUDGET OVERVIEW

I am happy to have this opportunity to present the fiscal year 1983 budget request for the education of the handicapped.

The request this year is for $845 million and is based on proposed legislation. It represents the administration's continued commitment to addressing the needs of the States as they pursue their goals and commitments in addressing the needs of handicapped children.

Of the total amount requested, it is estimated that $771 million will be distributed to the States under a new special education block grant.

It is estimated that the remaining $73 million will be used for special purpose funds activities under which many of the current programs funded through separate categorical budget activities will be consolidated.

It should be emphasized that this distribution is based on estimates, and is subject to change based on the proposed legislation.

The President's budget also proposes a 1982 rescission of $288 million from the continuing resolution level of $1,188,000,000 for programs funded under the education for handicapped and the compensatory education for disadvantaged students accounts.

We will be very glad to answer questions.

IMPACT OF SERVICES PROVIDED

Senator WEICKER. You are proposing that $258.6 million or 28 percent be cut from Public Law 94-142, State grant funding for 1982; is that correct?

Mrs. TUFTS. Yes, sir, the reduction is correct.

Senator WEICKER. What will be the impact of this cut on services for disabled children?

Mrs. TUFTS. The impact will be that the States will have to pick up some of these services for handicapped children.

At the same time States will have more flexibility, because we are proposing a block grant which will enable them to use the money according to their priorities.

Previous to this, we have had three separate areas of State grants. We are now proposing a block grant to consolidate all three of these programs, giving the States many more options on how they wish to spend these moneys.

We feel that the consolidation proposal would significantly reduce the paperwork burden on educational agencies, and allow them much more flexibility in the use of program funds.

These benefits would ultimately enable educational agencies to develop priorities for meeting their own needs.

Specific kinds of benefits that might follow would include a reduction in paperwork. We estimate that 11,400 pages of material in State plans alone would no longer be required; plus the elimination of the three separate applications from State and local levels.

In addition, we feel that the administrative burdens on the States would be lessened.

IMPACT ON THE STATES

Senator WEICKER. Well, these are some remarks that I have received back on the impacts of these cuts from various States:

From Indiana—the proposed rescission will result in reduction of the number of teachers by 250; possibly 4,000 handicapped students will not receive services.

Connecticut—Staff reductions of a total of 242 positions, affecting 64,700 children served under Public Law 94-142.

New Jersey—approximately 1,000 handicapped students will receive none.

Iowa—waiting lists will increase, gutting school programs and services.

South Carolina—the bottom line in the proposal is disastrous to the education of handicapped children in South Carolina.

Illinois—approximately 12,491 handicapped children aged 3 to 21 would not be served, 21,000 receiving would be reduced.

How do you respond to these comments?

Mrs. TUFTS. My response involves two areas. One is that the States could have the choice in how they use Public Law 94-142 funds. They could choose to reduce teachers or choose to reduce other personnel. If they have other priorities in the State plan, they may have to make a choice on which of their priorities to fund.

Some of the priorities that they have listed would be recruiting and training hearing officers and surrogate parents; providing public information; training activities; providing grants for serving preschoolers; and providing grants for services to the 16- to 21-year-olds. Funds for all of these items are included in the State allotments.

States will have the option to reduce personnel, or to reduce services.

However, they still have a mandate in Public Law 94–142; and they must provide services to these children.

In addition, there will be some money that——

Senator WEICKER. Let me stop you for a minute.

In other words, they have the mandate—but they don't have the money.

I don't understand that.

Mrs. TUFTS. Well, that has been——

Senator WEICKER. In other words, they are supposed to get the money from some place?

Mrs. TUFTS. States have had the mandate of Public Law 94–142 ever since the inception of the law.

The Federal share of the total cost is not as large an amount as the State and local shares.

We will be reducing the Federal share of the aggregate cost. State and local moneys represent the majority of the funds available for the education of handicapped children.

Senator WEICKER. They got that guaranteed, do you know that?

Mrs. TUFTS. Yes; we have that guarantee.

The most that States have ever received under Public Law 94–142 has been the 12 percent available in the beginning years. The program never was funded to its full extent; yet the States have been providing services according to the mandate.

NATIONAL COUNCIL ON THE HANDICAPPED

Senator WEICKER. The National Council on the Handicapped unanimously adopted the following resolution:

> The National Council on the Handicapped joins the many Members of Congress and the administration to reaffirm the strong commitment to maintenance of a Federal role for assuring the quality of educational opportunity for all handicapped children of our Nation. We wish to advise the President and the Congress to support the continued implementation of Public Law 94–142, The Education for all Handicapped Children Act, in its present form. Any substantive changes which hinder the right of any handicapped children to a free and appropriate education in legislation, regulation or funding will have a serious impact on the lives of these children, their families, and their communities.
>
> We urge the legislative and executive branches of the Federal Government to renew efforts so recently begun to enforce and protect the rights of these children to a full and productive life.

Do you disagree with the resolution?

Mrs. TUFTS. I do not disagree with the intent of the resolution, particularly as it pertains to the rights of the handicapped children, and the Federal commitment to handicapped children.

However, we will be asking for a reduced amount because it's part of everybody's tightening their belts in all areas of commitment. This will be our part of that effort.

Senator WEICKER. You mean the handicapped's part of that effort—not your part? Not yours, but the handicapped's part of it?

Mrs. TUFTS. Yes; I was speaking of the handicapped.

Senator WEICKER. You are speaking for the handicapped?

Mrs. TUFTS. Yes.

Senator WEICKER. This is advocacy?

You are saying that they are going to get less?

Mrs. TUFTS. I think what I'm saying is they will have to take less as every other American will have to take less, as part of the economic recovery program, at every level of Government.

Senator WEICKER. I don't think there's one able-bodied American out there who wants one nickel taken away from a handicapped person—not one.

I'll be glad to put that out there on the streets; and I'll tell you: there's not one that's able, that expects any burden—further burden—to be taken on by a handicapped person.

Would you like to bet on that?

[No response.]

ADVOCACY FOR THE HANDICAPPED

Senator WEICKER. Fifty-nine members of the U.S. Senate at present support Public Law 94-142 in its present form and full, authorized funding of the act.

Do you disagree with a majority of the Senate.

Mrs. TUFTS. I am proposing the administration's budget to you, sir, for your consideration.

Senator WEICKER. You know, Mrs. Tufts, that in handling this position, you should be an advocate of the handicapped.

I think you are an advocate for the administration—period.

Why do you think you are being an advocate for the handicapped?

Mrs. TUFTS. I think I'm being an advocate.

PROGRAM IMPROVEMENT EFFORTS

Senator WEICKER. Has there been a lot of waste, fraud, and abuse in these moneys over the years? Is that what you're trying to tell us?

Mrs. TUFTS. That's one of the ways I feel that we are being an advocate for the handicapped. We are trying to reduce any waste that is current or that has occurred in the past.

We are looking at our programs very carefully. We are doing a great deal of monitoring at the State level. We are looking for ways to improve programs. Our research programs are looking for ways to improve delivery of services to handicapped children.

We are looking into teacher training to get more teachers to help handicapped children.

These are some of the ways we are trying to improve the program.

Senator Weicker, I would like, if possible, just to finish one part of the answer on the National Council for the Handicapped. One place where I disagree with their resolution is where they supported the continuation of Public Law 94-142 in its present form. We are saying that we need to make certain amendments to the act.

I did want to have that statement on the record.

We are looking for ways to improve the act.

Senator **Weicker**. I have a strange feeling that your improvement of that act—the intent is to get it off the books.

I've been through this for quite a period of time.

I haven't gotten any requests for changing the law. What requests have you gotten, Mrs. Tufts?

Mrs. **Tufts**. We have had many requests, particularly as we have gone through our regulation review. We have also had requests in the area of program consolidation in the act. We are proposing to consolidate the three State grant programs. I think we'll find a great deal of support for that.

In terms of manpower alone at the State level, the consolidation should reduce the burden on special education staff. Instead of processing three different applications from the local education agency for three different programs, only one application would be required. This will cut the required paperwork by two-thirds.

Also, the States will have a greater control over the use of the moneys and thus be able to target on specific areas of local needs, rather than simply striving to meet Federal requirements.

Each State and local education agency would have the ability to set their own priorities for the services to be federally funded.

The mandate would be in place to serve all handicapped children. How a State chooses to use its consolidated Federal funds would be left up to the State rather than mandated for use with specific children.

This consolidation would also resolve a problem we've had resulting from the transfer provision in the State operated programs. When a child has been in a State institution and then gone to the local education agency, and the problem concerns the money following the child.

All programs for the handicapped would now receive the same amount of funds in 1983, $180 per child, whether that child is a preschooler served by part B funds or title I funds.

There will also be a reduction in State and local administrative burdens in the consolidation of these programs. Instead of three different administrative requirements there would only be one system.

Monitoring and other administrative functions, rather than being imposed by a Federal requirement, would be developed by the State education agencies to insure the appropriate administration of their program.

This reduction in administrative burden would enable education agency personnel to commit greater time and effort to providing direct support services to handicapped children.

NUMBER OF CHILDREN SERVED

Senator **Weicker**. For fiscal year 1983 you suggested further reduction in the State grant program of Public Law 94–142; how many children will receive fewer or no services under your block-grant proposal?

Mrs. TUFTS. I am sorry, I don't understand the question.

Senator WEICKER. You discuss further reduction in the State grant program of Public Law 94-142; is that correct?

Mrs. TUFTS. Yes; but we plan to consolidate the three formula grant programs.

Senator WEICKER. How many children—how many children will receive fewer or no services under your block-grant proposal?

Mrs. TUFTS. None; because there is a mandate for them to be served.

If the children are identified as handicapped, then the States and local education agencies have a mandate to serve those children.

AVERAGE COST PER PUPIL

Senator WEICKER. Judy tells me that it's going to be $75 less per child.

I don't understand how this is all going to be accomplished for the same numbers, with the same quality?

Mrs. TUFTS. I think the amount of money that will come from the Federal Government in 1983 will be $180 per child.

However, when the average handicapped expenditure is $5,553; $180 is only a small part. It is a contributing part and will assist the State and local education agencies.

However, handicapped children will still be served, and the money will be coming from the State and the local education agencies.

SERVICES TO PRESCHOOL CHILDREN

Senator WEICKER. Your budget justification states preschool and summer grant programs will seek to encourage States to expand educational programs for handicapped preschool children.

Under the block, if a State wants to spend no funds for this purpose, it could do so?

Mrs. TUFTS. That's true. Conversely, they can also spend twice as much if they choose to do so. That would be up to each State to decide.

COMPLIANCE MONITORING

Senator WEICKER. I still don't see where there is any guarantee in whether what's being proposed here, insofar as serving disabled youngster—why can't a State just walk away from that obligation?

Mrs. TUFTS. Because it's a Federal mandate; because we will be monitoring compliance reviews in the States to insure that they are providing these services.

Senator WEICKER. What are you going to monitor if— that's what I fail to grasp here.

Mrs. TUFTS. We will be doing the same kind of monitoring activities that we are now doing.

We will be going into the States to assist them to solve their compliance problems. We will do onsite monitoring of all States once every 3 years.

If States are not in compliance, we will assist them to get into compliance. If that's not possible, the same provisions for withholding funds would exist as they exist today.

In the past year we have monitored 21 States; 18 of those States have come into voluntary compliance; and we have 3 compliance reviews, which we expect to be completed in the next few months.

FEDERAL VERSUS STATE ROLES

Senator WEICKER. Why does the administration feel that there's no longer a need for a strong Federal role to insure handicapped children an education?

Mrs. TUFTS. I think that the administration does feel there is a need for a strong Federal role, and that role is for assistance and support to the State and local education agencies.

Basic education programs are the responsbility of the States. It is the role of the Federal Government to provide assistance and support; to look to areas of research, such as we have in our discretionary funds; to provide models and demonstrations of better ways of serving handicapped children; and to share that information across the country with local and State education agencies in order to improve the education for all handicapped children.

SHIFTING RESPONSIBILITY TO STATES

Senator WEICKER. I would still like to get back to the point that the Federal Government became involved in the education of the handicapped precisely because many States were not educating handicapped children.

I would like to know why you feel that is going to change when you put it back in the hands of the States?

Mrs. TUFTS. We are not removing or repealing Public Law 94-142.

Prior to the Federal involvement authorized by Public Law 94-142, many State and local education agencies were doing some education of handicapped children; but not to the extent that they are doing so today. The enactment of Public Law 94-142 has been the reason that States have increased their efforts. Public Law 94-142 will continue to be enforced.

INDIVIDUALIZED EDUCATION PROGRAM

Senator WEICKER. The administration has not yet submitted its proposal for a handicapped block grant, though the general outline of it, the State grant portion, the special purpose portion, is well known.

Will school districts still be required to prepare individual education plans for all handicapped students?

Mrs. TUFTS. According to the proposed legislative amendments, we will emphasize individualized educational planning, but not an individual education planning document.

The Federal requirement was very necessary at the beginning of the program; but the individualized education program has become an ongoing practice. We believe that the majority of the local education agencies would continue its use.

In a recent study that the National Association of State Directors of Special Education conducted in 16 States, including 20 local education agencies in these 16 States, 18 of those local education agencies indicated that despite the paperwork, they would continue with the individualized education program even if the Federal requirement was removed.

Therefore, we feel that this program would be maintained. We are maintaining a Federal commitment to individualized educational planning for all handicapped children. We would stress eliminating the Federal restrictions and burdens.

SPECIAL PURPOSE FUNDS

Senator WEICKER. In fiscal 1982 Congress provided $87 million for all non-State grant categorical programs. The administration has proposed to lump all of these together in a special purpose fund in a budget request of $74 million; a $13 million reduction.

In addition, your budget justification states Federal support for those service activities which are most appropriately conducted by State and local education agencies, will be discontinued.

What criteria do you use to determine which activities are most appropriately conducted by the State and local school district; and how were those criteria developed?

Mrs. TUFTS. Are you referring to the discretionary area or to the State grants, Senator Weicker?

Senator WEICKER. In the—let's make sure I get the right category—in the non-State grant categorical programs.

Mrs. TUFTS. You're talking about the discretionary grants.

Senator WEICKER. Discretionary.

Mrs. TUFTS. Yes; for discretionary grant funds we would be asking for all these in one block to remain at the Federal level. This would include all of the existing authorities.

For instance, in the area of deaf-blind, we would be asking for the existing authorities. We'd be looking at the program and evaluating it, because we have found a shift, in recent years, from the centers to the local education agencies. We found that many more local education agencies are educating deaf-blind children in their local school systems.

We would be looking for more money to be put into demonstration areas perhaps than we would put into the centers.

This is the kind of thing I'm referring to. We would look at each program critically for the proposed year; we would be using the same kinds of guidelines we have had in the immediate past years.

STATE COMPLIANCE

Senator WEICKER. Historically, the Department of Education has depended upon site visits to monitor the States' compliance in handicapped education laws. Every 2 years each State agency and a sample of local school districts within each State are visited by Department of Education staff, to determine if State and local educational agencies are complying with the key provisions of the handicapped State grant program.

Have you been able to continue these visits on a regular basis in the last 2 years?

Mrs. TUFTS. Yes, sir, we have.

In 1980–81 we had 21 compliance visits, and we issued 21 letters of findings. We obtained 18 voluntary implementation plans, and 3 voluntary plans are currently being negotiated.

We have developed a new monitoring system where the primary emphasis is on monitoring assistance, rather than enforcement. We have found that this is a better basis for productive working relationships with the States.

In other words, we would be helping the States to solve their compliance problems.

We are establishing State profiles for each State. The State profile would include a description of the requirements for each part of Public Law 94–142. It would include a State plan, what the history of that State has been; the compliance history of that State including whether there has been necessary corrective action, or if the State was out of compliance; what implementation actions were taken; and the results of an initial screening analysis.

We are going to do one of these types of visits very shortly in the State of Maine. I would be very glad to share one of these State analyses with you.

The compliance review will also include a specific monitoring procedure which is one of the things that the State directors have told us they wanted included. The document gives the basic objectives, the general procedures, and the time requirements along with assessment measures associated with such a visit.

I would be very glad to make available a copy of the review for the State of Maine.

REHABILITATION SERVICES PROPOSED RESCISSION

Senator WEICKER. The first half of fiscal 1982 the States have been receiving funding based on the continuing resolution level of $863 million in vocational rehabilitation basic State grants.

Your proposed rescission would force cutback of $91 million in the last 6 months of the fiscal year, which would appear to cause severe disruption for State agency operations.

Starting April 1, 1982, do you agree with the Council of State Administrators, vocational rehabilitation—the proposed rescission will mean 114,708 fewer disabled persons to be served?

Mrs. TUFTS. I think that may be true. That's their estimate. I think our estimate is very close to that number. I'm not absolutely sure if our estimate is exactly the same as theirs.

Maybe Mr. Conn, the Commissioner of the Rehabilitation Services Administration, could help us with that.

It's very close to the number, Senator Weicker.

Senator WEICKER. Our State education commissioners advised me that in Connecticut the proposed rescissions set for 1982 approved by the Congress—it will be necessary for Connecticut to—one, deny or discontinue services to 1,150 mentally and physically disabled persons currently receiving rehabilitation services; two, postpone or delay initiating services to an additional 3,000 disabled individuals; three, close down entirely 8 of the 19 rehabilitation offices; and four, release from service 50 competent rehabilitation workers.

Will you provide me with an estimate of how much it will cost the Federal and State governments in service programs the lost tax revenue from those Connecticut citizens who will be denied or delayed rehabilitation by the rescission?

Mrs. TUFTS. I would have to submit that for the record, Senator Weicker.

Senator WEICKER. All right.

[The information follows:]

BASIC STATE GRANTS—REDUCED GOVERNMENTAL BENEFITS FOR PERSONS REHABILITATED IN THE STATE OF CONNECTICUT

The table below shows the estimated benefits to Federal, State, and local governments realized through the employment of handicapped individuals living in the State of Connecticut, who are successfully rehabilitated under the basic State grants program. These benefits are derived through improvements in income, payroll and sales tax payments, and reductions in institutional care and public assistance attributable to vocational rehabilitation. The benefits are calculated for only the first year after rehabilitation closure.

The table also shows the estimated loss in benefits that would result from the fiscal year 1982 proposed rescission and the fiscal year 1983 requested funding level. The projected reductions in governmental benefits would, to some degree, be offset by increased activity in the private sector, and by more strenuous efforts at job-finding by and for the handicapped.

ESTIMATED LOSS OF BENEFITS

Fiscal year	Estimated benefits	Estimated loss of benefits
1981	$2,808,000	
1982	2,252,000	-$557,000
1983	1,558,000	-694,000

Mrs. TUFTS. Senator Weicker, would it be all right with you if the Commissioner sits at the table?

Senator WEICKER. Absolutely.

Mrs. TUFTS. We also had hopes that some of the loss of Federal funding will be made up by the private sector. The State agencies do not provide direct services, but they coordinate the services, working with private and public agencies within a State. Some of the additional funds needed might be picked up by the private sector or private agencies, industry, and some of the other private initiatives we have been working on.

CONCERNS OF THE NATIONAL COUNCIL ON THE HANDICAPPED

Senator WEICKER. In addition to CSAVR, the National Council on the Handicapped, has unanimously expressed serious concern over both the 1982 recission and the 1983 cut.

How do you respond to the council which is charged by law with advising you?

Mr. CONN. I'm sorry, would you please repeat the question?

Senator WEICKER. The National Council on the Handicapped has unanimously expressed serious concerns over both the 1982 recission and the 1983 cut.

How do you respond to the council which is charged by law with advising you?

Mr. CONN. Senator, we would have to go back to the order of selection, in terms of trying to determine how services would be provided to handicapped people under this proposed program.

In 1973 and 1974 the Rehabilitation Act was expanded and modified, and priority was placed on services for severely disabled people. We subscribe to the philosophy that the Government should not do for people what they can do for themselves, and we agree with Congress that we should be focusing our attention on severely disabled persons.

That is not to say that we would not provide services to those people who do not have severely disabling conditions.

In our order of selection we would advise the States through the process of technical assistance on reprograming the moneys to focus on severely disabled people and addressing their needs.

SUPPORT OF BUDGET CUTS

Senator WEICKER. Can you advise us what organizations or individuals prominent in the field of vocational rehabilitation, support the budget cuts and/or helped draft your upcoming amendments?

Mr. CONN. No, sir, I cannot comment on that. I have not seen all the documentation that has come to your office.

We have received some commentary basically from the State administrators, and they are in fundamental disagreement with the budget cuts.

IMPACT ON CLIENTS SERVED

Senator WEICKER. Do you agree with CSAVR that 281,000 fewer disabled persons will be served in 1983 than are being served at present at the approved funding levels?

Mr. CONN. Yes; we would be very close to that estimate, sir.

Senator WEICKER. Well, then, what justification, either in human or economic terms, can you give for not providing the opportunity to disabled people to move to independence?

Mr. CONN. There has always been a fundamental disagreement on who should be served, or for what purpose, Senator.

In the overall review of the situation, we find that there are some procedures with regard to eligibility determination and in services provided for disabled persons that perhaps are not justified.

While there are many instances of elective surgery that are approved, we believe that vocational rehabilitation funds must be utilized for bona fide rehabilitation clients including persons with severely disabling conditions.

I am quite confident that if we were to review that situation we would find that the focus of our efforts is appropriately centered on support for severely disabled persons. We would be serving those truly in need. Those are the persons we would make every effort not to hurt through the proposed budget cut.

I believe you have a briefing booklet which reflects that the number of severely disabled people who would be hurt are far less than those with less severely disabling conditions.

PROPOSED LEGISLATION

Senator WEICKER. You state and the record shows that vocational rehabilitation is cost-effective and successful; so why is the time now ripe to make wholesale changes in the law?

Mr. CONN. We are not suggesting this change because rehabilitation is cost-effective, that is a known fact. We should be taking a look at the situation that prevails right now, which I believe is contrary to both the administration and the intent of Congress.

We need to look at the relationship between the cost of direct services to handicapped people and the cost of administering the program.

We feel that the focus should be on the direct provision of services to handicapped people and a minimum of the expenditure should be devoted to other costs.

PRIVATE SECTOR PARTICIPATION

Senator WEICKER. Is it realistic to assume that States, private agencies, and the private sector will be able to make up the proposed withdrawal of Federal rehabilitation dollars?

Mr. CONN. No, sir, I would say not immediately; but over a period of time, I think that is a real possibility.

We have demonstrated with projects with industry that some placement programs are not only employing handicapped people, but are developing jobs for handicapped people, and are more willing to enter into job modification techniques which allow handicapped people to work.

We are looking into the concept of home-based work for severely disabled people, using high technology and sophisticated equipment for jobs in automated data processing, word processing, et cetera.

I firmly believe that the time has arrived where the private sector is looking for well-qualified disabled workers, whomever they may be, and will begin to pick up this slack.

Over a transition period of 5 to 8 years, we will be able to make greater inroads.

Senator WEICKER. Well, what happens for 5 or 8 years? While this funding goes down, and somebody isn't picking up the ball, what happens to those that are disabled, in the next 5 to 8 years?

I don't understand.

Mr. CONN. We hope to put our focus on severely disabled persons.

There will never be enough money in the public sector to provide all the services that are needed by all handicapped people. As the private sector picks up the cost through private insurance programs, workers' compensation programs, and other similar benefit programs, we can then focus our attention on those truly in need, severely disabled persons. While it may be painful for 1 or 2 years, this is a necessary hiatus.

IMPACT ON INDIVIDUALS

Senator WEICKER. I must say: I just don't believe that I heard what I heard.

For 1 or 2 years, in other words, it's just too bad for a few people?

Mr. CONN. That is not what I said, sir.

Senator WEICKER. Well, it comes pretty close to it as far as impacts on those individuals are concerned.

Mr. CONN. Well, Senator, may I draw on my own personal experience.

Senator WEICKER. No; I don't want you to draw on your own personal experience, because, quite frankly, you are charged with an advocacy—as Mrs. Tufts is—for a lot of people out there who are not in the position to be left hanging for 1 or 2 years while this thing sorts itself out.

Now, private enterprise has been around for a long time before the Reagan administration has been around, and the States have been around for a long time before the Reagan administration has been around; we had both of these entities there, absolutely positioned to go ahead and assist—and they didn't.

Now, what leads you to believe that all of a sudden they are going to come charging back in to do the job that they didn't do in the first instance?

Mr. CONN. Well, Senator, it has been——

Senator WEICKER. This is the same argument—I am going to tell you right now—the same argument, just so you'll know I'm not picking on the executive branch of Government—when I sat across the way from Senator Schmitt during last year's hearings, and we came to that little, teeney, $10 million early intervention program, and Senator Schmitt turned to me and said, well, it's a very good program; but economic times being what they are why it's just going to have to take its turn in line; and maybe next year we can go ahead and pull it back onstream.

Well, how many retarded children do you think—how many retarded children have had their future determined by that gap of 1 year?

How many disabled people had their futures determined by that gap of 1 or 2 years?

We can't replace these things.

Mr. CONN. May I comment, sir?

Senator WEICKER. You and I, we can probably, you know, go without for a period of time and it's not going to change our lives dramatically.

The people that we are talking about, it's going to— they can't afford to take a year out, 2 years out, 5 years out, 8 years out.

If I consider all the political problems I have within my own party, I suppose the last thing that I need to do is get out there and reiterate again that I disagree with the administration.

But I am saying it.

I am not willing to—if it was me gambling; if it was you gambling; if it was the administration gambling—that's fair enough. In other words, as long as they gamble and the gamble were lost, we had to play.

That's fair enough.

But these people that are disabled or retarded are going to have to pay the price in the coinage of their lives.

And I find that inexcusable, while we flit around here chasing some vaporous economic theory.

Now, you tell me that this is strictly your idea. It has absolutely no support from those who are out there in the community that know. We have no guarantees from the States, no guarantees from private enterprise; that there might have to be a period of transition where, of necessity, these people are just going to have to take their "licks"—I can't believe that this is the United States of America.

And I say that both to you, and I say it also to you, Mrs. Tufts.

If you came here and said, "These programs aren't working, and we want to shift our emphasis, and could stand beside your reasoning as to why something ought to be changed in terms of the work product itself"—I could understand all that.

Nobody wants to continue somebody else's work product; there's always room for improvement.

But this is the most callous exercise I think I've ever been privileged to sit in on, as long as I've been here in Washington—especially when you consider who it is that we are talking about.

You may go ahead.

EXPANDING THE REHABILITATION PROGRAM

Mr. CONN. I would like to make a comment, sir.

What I was referring to in terms of pain was the process of transition. I would like to point out that for years disabled people, commissioners at the Federal level, State directors, and other people, have asked the Congress repeatedly to expand the rehabilitation program beyond its vocational limitations so that there would be an opportunity to provide services to disabled people at the onset of the disabling condition.

For the entire 61 years of history of the rehabilitation program, States have been forced to work with an artificial limitation of the working age of an individual between the ages of 16 and 64.

If we could possibly address the needs of disabled persons below the ages of 16, and begin to work with them at the onset of the disabling condition, then we could accomplish a great deal more, perhaps with fewer funds. We could target more funds on to the direct provision of services—not all of the other things that go into the cost of this particular program.

I do not feel that it would be unwarranted to ask the States to pick up the costs for administration, salaries, and expenses, and let the Federal funds be focused on the direct provision of services; and that we be allowed to address the needs of disabled persons at the onset of their disabling condition, so that the rehabilitation process can be generic, providing a continuum of services.

Senator WEICKER. All right, I agree with you. For the sake of this discussion, let me agree with you.

Mr. CONN. Let me just say that we can do that through this particular program by giving the States greater flexibility.

Senator WEICKER. All right.

Now, have you asked for increased funding for us to perform this function?

Mr. CONN. No, sir.

Senator WEICKER. Well, what have you asked for, decreased funding?

Mr. CONN. The idea is to reduce the Federal funding and provide for the direct provision of services to disabled people.

BUDGET REQUEST

Senator WEICKER. I understand that.

And are you asking for an increase in moneys to do this job—I agree with you, what you are saying makes sense; it also costs money.

What are you asking for in the way of money?

Mr. CONN. We are saying that when the moneys are blocked to the States, they must be used for services. That would be our policy.

Now, all of this is under consideration right now. None of it is in final form.

But if we could be released from that artificial age limitation of 16 to 64, we could make our program far more cost-effective than it is now.

To wait the 16 years to deal with a person who is disabled costs far more money.

Senator WEICKER. Under the present program you have to wait 16 years?

Mr. CONN. Yes, sir.

Unless you have funding through crippled children's programs or through a developmental disabilities program, which is a service coordination program. It is very difficult to find funds to provide services at the Federal level.

I must admit that the administration is not being callous in the manner in which it's going about this.

AGE LIMITATION

Senator WEICKER. Well, you support their position; and I'll go on speaking as I do.

I am informed that—counsel informs me that there is no age limitation in the program we are talking about. I don't understand why the State is limited to starting at the 16-year-old level.

Mr. CONN. Eighty percent of the funds used under the Rehabilitation Act must be used for preparation for employment.

Senator WEICKER. That is not an age limit, is it?

Mr. CONN. Pardon me?

Senator WEICKER. That is not an age limit?

Mr. CONN. Well, we cannot provide services below the age of 16 which is the working age.

Senator WEICKER. This is preparation for, I mean——

Mr. CONN. There are some cases where we can go below the age of 16, but only for prevocational programs.

Mrs. TUFTS. Senator Weicker, I would like to say that in the special education program, we have been working closely with the Rehabilitation Services Administration to resolve the problem of starting youngsters in vocational training while they are still in school. Some of our discretionary money, particularly in the area of the severely handicapped, has gone into that effort.

We have one particular vocational opportunity program in Oregon, which is focusing on those youngsters in high school and training them for gainful employment.

We have another program in Madison, Wis., where youngsters who are in high school are trained and employed in the local hospital.

We are working out agreements to help bridge the gap between schools, communities, and the workplace.

SUMMARY OF BUDGET ESTIMATES

Senator WEICKER. Well, let's just review the overall figures again so we understand the dimensions of the problem:

State assistance presently funded at $931,008,000—the request is what—$771,685,000; is that correct?

The total education for the handicapped present level is $1,042,080,000; requested is $845,668,000; is that correct?

Mrs. TUFTS. For 1983, yes, sir.

Senator WEICKER. And rehabilitation services, $863,040,000 is the present level of funding, and what you are requesting is $579,536,000; is that correct?

Mrs. TUFTS. Yes, sir.

Senator WEICKER. And presently $923,414,000 total—that first figure was for basic State grants; the total is $923,414,000; and what's being requested is $623,316,000; is that correct?

Mrs. TUFTS. Yes, sir, those are the figures.

IMPACT OF BUDGET CUTS

Senator WEICKER. And the position as I understand it is that none of those that are retarded or disabled are going to be affected by these cuts, merely those that administer the programs are going to lose their jobs; is that correct?

Mrs. TUFTS. I did not say that. I said that there are different ways the programs will be affected.

Senator WEICKER. I beg pardon?

Mrs. TUFTS. I did not say they would not be affected by this, sir.

They will be affected by these cuts. In the case of special education, special education will be provided.

Senator WEICKER. But it won't be bettered; right? It will be diminishing? It will be diminishing services; is that correct?

Mrs. TUFTS. Not necessarily the diminishing of services.

There may be some cut in services.

Senator WEICKER. So this isn't all, this doesn't all represent administration; right? Services are being cut. Is that correct?

Mrs. TUFTS. In the State grants program the impact would be determined by the priorities the State selects in using these funds. Both in the rehabilitation program and in special education, we are proposing to give States block grants; and they are to decide the priorities as to how they will spend those funds.

STATUS OF HANDICAPPED PERSONS

Senator WEICKER. Do you think the disabled and retarded of this country have been living high off the hog?

[No response.]

Senator WEICKER. I don't understand why these people should expect less in the year 1982 of their opportunities and their lifestyle maintenance than they had up to this point.

I think that—I suppose what bothers me is that their condition is such that whether it's by accident or whether by birth, that that should be the most critical in their individual lives, and that society as a whole has sought to make sure that each day as it goes by there are better lives ahead.

And I don't—if you told me this was going to strictly administration, I wouldn't be bothered—but in both the vocational rehabilitation here and the special education area I come forth with the clear impression from your words that these services are going to be cut.

Why should that be?

Why should we be going in the wrong direction?

Mrs. TUFTS. I think we are talking about the Federal funds that are going into special education.

Senator WEICKER. That's right.

That's all I will focus on.

Mrs. TUFTS. We do know over in the past years the State commitment has been increasing in providing funds to disabled people, both in special education and in the rehabilitation program. Many States are asking for more than their allotted funds, so that they can provide more services. The local education agencies are contributing substantially more than they were 5 years ago to the education of handicapped children.

REPEAL OF STATE LAWS

Senator WEICKER. Judy tells me that as we went through the discussion last year, that as even the discussion started here in Washington, State after State started to repeal its own laws re special education.

How do you respond?

Mrs. TUFTS. I have no evidence of any repeal of State laws. That information is new to me.

CLOSING REMARKS

Senator WEICKER. Well, let me say this: There is no point in continuing the argument. I hear the message that you carry for the administration.

I disagree with it. You obviously believe in it.

But I will say this: I don't know where we are going to end up. But I have assurances I think from my many other colleagues they will vote to maintain the present levels of funding.

And so I wouldn't go ahead and count on the fact that this ball game is over with.

It may very well be that this is one of the few times that people come before a committee and get more than they asked for, because it's a bigger job than that which they anticipated.

But I passionately feel that that's what the power of this job that I hold is all about.

Mrs. TUFTS. We appreciate that.

Senator WEICKER. I do not accept the speculations of the administration as to who is going to take up the slack. I think it's nonsense.

I do not accept it is deemed necessary, something that's going to occur by virtue of an economic crisis. This agency has always had enough to do what it needed to help the less fortunate. And certainly, nobody can disabuse these people for being on a gravy train or looking for a free ride.

I think the whole thing adds up to a very sorry presentation—not in the sense of your being inarticulate; you have articulated the administration's position very well. It's been very helpful.

SUBMITTED QUESTIONS

I think that position is dead wrong. We will submit some questions for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Education for the Handicapped

PROPOSED AMENDMENTS

Question: According to your FY 83 justifications, you propose a consolidation of Part B, preschool and 89-313 of the Title I program, with the intention of "eliminating unnecessary and burdensome requirements". What Part B requirements do you consider "unnecessary and burdensome?"

Answer: In general, the proposed legislation under consideration would eliminate those requirements for the submission by the States of excessively detailed information as part of the State plan or in support of an application for assistance. For example, we are considering eliminating the detailed description of programs and procedures for the development of a comprehensive system of personnel development.

Question: What requirements would you maintain as "essential" in ensuring equal educational opportunity for handicapped children?

Answer: Essential Federal requirements for handicapped children include access to a free appropriate public education, education in the least restrictive setting, nondiscriminatory testing, individualized educational planning, and due process rights.

ALTERNATIVE FUNDING SOURCES

Question: What evidence do you have that States will be able to meet the additional funding for special education that would result from your budget proposals?

Answer: The proposed budget reductions would shift only 1.9 percent of the total cost for serving handicapped children from the Federal Government to State and local governments. This is a relatively small shift in funding responsibility, and it will be offset in part by the elimination of unnecessary and burdensome Federal requirements.

Question: Why are you proposing substantial cut-backs in the Federal contribution at a time when States and localities are under severe financial restraints?

Answer: The proposed reductions are part of the President's overall program for economic recovery and controlling inflation. The proposed reductions in Federal support represent only about 1.9 percent of the total cost for educating handicapped children. The shift in funding responsibility is therefore not substantial in terms of the total cost for educating handicapped children. In addition, by controlling Federal Government expenditures the inflation rate will be reduced. This will strengthen the economy and thereby strengthen local and State tax bases.

COSTS OF SPECIAL EDUCATION

Question: How much do States and localities spend on special education, and how have these expenditures grown relative tc expenditures in recent years?

Answer: Based on a 1981 study by the Rand Corporation entitled "The Cost of Special Education", the estimated total excess cost for special education in non-residential facilities was over $7 billion for the 1977-1978 school year and was projected to be over $10 billion by the 1980-1981 school year. The Federal contribution for the 1977-1978 school year was $449 million and for the 1980-1981 school year was $1,052 million. The balance of funding was provided from State and local resources. Data for other school years is not available.

Question: Have State and local spending patterns changed over the last two years when Federal support has not significantly increase?

Answer: Although we do not have complete data regarding expenditures during more recent school years, there does appear to be a trend toward a smaller proportionate contribution on the part of local school districts and a slightly larger increase of the share accounted for by other sources.

Question: How will your proposed budget affect the ability of States and localities to provide programs to the more costly students - the severely handicapped?

Answer: The Federal contribution for both the Chapter 1 handicapped and the Part B State grants is based on the number of children served regardless of the severity of their handicaps. Therefore, the Federal contribution for these children represents an even smaller part of the total cost for their education, and the proposed budget reductions will have proportionately an even smaller impact on their education when compared with the impact on children with mild handicaps.

CHANGES IN STATE LAWS

Question: Have any States passed legislation to repeal or amend State laws by loosening State requirements governing special education? Can you describe these changes?

Answer: One State, Montana, has amended its State law by repealing that part which required services to children between the ages of 3 and 5. Montana is the only State that has taken such action.

REGULATORY CONFLICTS

Question: According to a recent study of the 94-142 Part B program, many of the problems that have occurred were related to conflicts between Federal regulations, rather than between State laws and the legislation. In light of these findings, what arguments can you make for amending the Part B law in order to block grant it?

Answer: Public Law 94-142 regulations are being reviewed at the present time as part of the Administration's effort to reduce regulatory burden. Any conflicts with other regulations will be examined. The Administration's proposal for amending Public Law 94-142 to consolidate existing programs seeks to simplify the programs.

SPECIAL PURPOSE FUND

Question: In the FY 1983 budget request, the Administration proposes that the ten discretionary programs be included in a "special purpose fund." What types of activities currently being sponsored are least likely to be continued by the State and local agencies if Federal funds were denied?

Answer: The inclusion of an activity into the special purpose fund does not mean necessarily that the activity will be discontinued. In fact, virtually all of the Federal discretionary activities which are currently being supported are tentatively scheduled to be continued in fiscal year 1983. Consideration is being given at this time to reductions in deaf-blind direct service activities, regional resource activities and inservice training of special education teachers. The States already utilize and would continue to be able to utilize a large portion of State grant funding for inservice training. The extent to which the States find it useful to support other activities is not known.

SMALL TARGET POPULATIONS

Question: In your justifications for the severely handicapped program, you propose funding increases in FY 83 in order to provide for the needs of this population, which cannot be addressed efficiently by the States due to the small size of the target population. Why was not this rationale applied to request increases in other project grants serving small target populations, like the deaf-blind children?

Answer: Our tentative budget for fiscal year 1983 proposes to increase both the severely handicapped and deaf-blind demonstration programs in order to help State and local education agencies plan and deliver educational programs to these children. However, we are examining whether there is a continuing need for Federal support of the direct service components of the deaf-blind program since service delivery should be a State and local responsibility, and to a large extent States have already developed the necessary service delivery capabilities to serve this group.

EARLY CHILDHOOD EDUCATION

Question: You are requesting an increase of over $3 million in FY 83 for the early childhood program. How do the activities under this program differ from those carried out under the pre-school program for which you are requesting reductions? Can you explain this inconsistency?

Answer: While the target population of these two programs are similar, there are several major differences between these programs. The early childhood program is primarily a demonstration program which focuses on developing and demonstrating innovative educational practices for handicapped children from birth to eight years old. The preschool incentive grant program is a formula grant program which supports direct services for handicapped children between the ages of 3 and 5. The provision of direct services is primarily a State and local responsibility, while the provision of national leadership in the areas of model development, demonstration and research continues to be an appropriate Federal role.

INSERVICE TEACHER TRAINING

Question: How many teachers received in-service education training under the Part B program, and under the personnel preparation program? How many teachers do you project would receive comparable services under your FY 83 budget request?

Answer: In 1982 approximately 100,000 teachers will receive in-service training under the Part B program and 20,000 under the personnel preparation program. It is difficult to project what the States might do in 1983 under the block grant program, although they would still be able to utilize Federal funds for this type of training. With respect to fiscal year 1983 training activities under the personnel preparation program we are tentatively proposing to target funds or preservice training of special education teachers, although the degree to which funds would be targeted has not yet been determined.

Question: How will States continue in-service training in light of these proposed reductions when States are laying off special education teachers and aides in response to already enacted budget reductions?

Answer: While it is difficult to predict the degree to which States will consider in-service training to be a priority we believe that a considerable amount of State support will continue to be provided for this type of activity. States will be able to weigh the relative merits of providing additional training to teachers in service compared with hiring or laying off other teachers.

BUDGET REDUCTIONS

Question: In fiscal 1982, there is an appropriation of $1.042 billion for education for the handicapped. For fiscal 1983, the Department is requesting a total of $845 million. What is the rationale for this reduction?

Answer: The reduction in funding included in the budget request is based on the continuing need of the Federal Government to limit its expenditures and to control inflation.

Question: What kind of signal do you believe this reduced request sends to the States? To the handicapped?

Answer: Excessive Federal expenditures have been a primary cause for the high inflation rates which the entire country including the States and the handicapped have had to bear. The Administration's efforts to fight inflation should be taken as a sign that it is serious about getting the Federal budget under control and fighting inflation. The results of a reduced inflation rate will benefit the handicapped and the States which provide educational services to the handicapped.

TITLE I HANDICAPPED

Question: As part of the Administration's overall initiative to put special education programs into a block grant, there is a proposal to shift the administration of the Title I handicapped program to the handicapped block grant. Has any thought been given to the transfer of the Title I handicapped program to the Office of Special Education, regardless of whether a block grant for handicapped education programs is enacted? What are the pros and cons of such a proposal?

Answer: The Title I handicapped program is currently administered by the Office of Special Education and Rehabilitative Services and will continue to be so regardless of whether a block grant is enacted.

Question: What unique population is presently served by the Title I handicapped program?

Answer: The Title I handicapped program, which is now known as the Chapter 1 handicapped program, serves those children who are in State operated or supported facilities and those children who have been transferred out of such facilities. According to a recent GAO study about 58 percent of those children who are in State facilities are severely handicapped compared with 13 percent severely handicapped served in local education agency administered schools. Title I also has a "follow through" provision which permits children to participate in the program if they were once served in State operated or supported facilities but now are served in local education agencies. About 20 percent of the children now counted under the Title I program are served by local education agencies. The intent behind this "follow through" provision was to encourage deinstitutionalization.

DEAF-BLIND PROGRAM

Question: It is estimated that deaf-blind centers will serve 6,000 children in FY 1982. For many years, funding for this program has been $16 million, but in FY 1982 this was reduced to $15.4 million. What effect has this funding cut had on services to this population?

Answer: The funding reduction has had very little effect on services to this population. The efforts of centers to work closely with State departments of education in assuring service provision as required by Public Law 94-142 have resulted in an increased assumption of direct services costs by States. Centers have been operating under an agreement which requires maximum coordination of services with those of the States in meeting the requirements of Public Law 94-142 to assure the provision of a free appropriate public education to every handicapped child. As a direct consequence of this increased coordination with State education agencies, deaf-blind centers are reporting an increased assumption by State education agencies and local education agencies of the full burden of the education of deaf-blind children. Several States have already moved to 100 percent funding of direct services to the deaf-blind, and others are moving in that direction.

Question: What guarantee is there that the Secretary would maintain funding for this program at a level sufficient to maintain key services?

Answer: We are examining the role of the deaf-blind centers in light of the States' primary responsibility for direct educational services. The deaf-blind centers have received Federal support since 1969, well before the enactment of Public Law 94-142 which mandated that States assume responsibility for serving all handicapped children. Since the passage of that law States and local agencies have assumed increasing responsibility for supporting services for deaf-blind children. We intend to continue, and increase, Federal support for deaf-blind related research and demonstration projects which we consider key to the development of appropriate mechanisms and approaches for serving this population. These research and demonstration activities reflect the appropriate Federal role in that these activities can be more effectively and efficiently conducted at a national level.

MEDIA SERVICES ACTIVITIES

Question: For a number of years, the Federal Government has supported the National Theatre for the Deaf, Inc., and Recordings for the Blind, Inc., with a small sum of money each year out of the media services appropriation. In fiscal 1982, media services received $11.2 million. This activity is proposed for inclusion in the special purpose fund. What guarantee does Congress have that small but important activities such as these would continue to receive funding under the special purpose fund?

Answer: Our tentative budget for fiscal year 1983 proposes continuation funding for both the National Theater for the Deaf and Recordings for the Blind, Inc. Congress has not specified the levels of funding for this type of project in the past but they have been funded because of national impact. The capacity of these types of activities to provide needed services at the national level would be the basis of continued funding under the special purpose funds activity.

Question: A major focus of the media services appropriation has been to make captioning in television and movies available to the broadest possible number of deaf or hearing impaired people. What success has this program had?

Answer: The program has been very successful. The captioning of films over the past two decades has made it possible for deaf persons to have access to motion pictures which were inaccessible for over 30 years due, ironically, to the advent of the sound film in 1927. Currently over 8,000 motion pictures are shipped each month to schools, churches, clubs and other groups of deaf persons upon request. In addition, captioned educational films have made it possible for hearing impaired youngsters to effectively make use of educational films that cover all types of subject matter. Deaf children rely heavily on vision. Verbal information made available in print assists the deaf student in assimulating language and knowledge that is not available through normal channels. There are sixty captioned educational film libraries strategically located throughout the United States which serve these children and result in 17,500 classroom showings per month during the school year.

When television emerged as a pervasive and compelling education and recreational resource, its immediacy and availability to hearing persons compounded the sense of isolation which deaf persons experience. The implementation of the closed captioned system in 1980 has brought a new dimension into the lives of deaf persons and represents another step in bringing deaf persons into the greater social environment. The availability of news and other programming has had a major, positive impact that would not have been possible without this program.

MEDIA SERVICES ACTIVITIES

Question: How many people have access to captioned television services?

Answer: Currently there are over 50,000 closed-captioned decoders in the United States and the number is growing. Statistics show there is an average of 3.8 hearing-impaired viewers to each decoder bringing the closed-captioned audience to approximately 200,000 persons. Since November, sales of decoders have been increasing steadily, but the total is still below expectations. Basically, this is a "chicken or the egg" situation. Large decoder sales will mean increases in quality, volume, and variety of closed-captioned programs. People hesitate to buy decoders because the range of programs is limited and the networks are hesitant to close-caption more programs because the number of decoders is limited. This is analogous to the growth of color television which became geatly expanded only after an appropriate number of color sets had been sold.

Currently, there is one open-captioned program available. This is the late night rebroadcast of the ABC World-Wide News over Public Broadcasting Services. Since these captions may be seen on any television set which receives the program, approximately 2.0 million hearing-impaired are reached.

Question: What cooperation have commercial television and film producers given to the captioning initiative?

Answer: Film producers have been most cooperative in making their product available to the program. The average cost of a full length motion picture is about $25,000 of which approximately $6,000 pays for captioning costs, 12 prints of each title, and a five year lease commencing with the delivery of the prints. This leaves a $19,000 royalty charge which, amortorized over five years, is approximately $3,800 per year for 12 periods or $317 per print. There is obviously no real profit incentive in making these products available to deaf persons.

Commercial television broadcasters were first approached in 1971. A study of the proposed closed-captioning system was made by The National Association of Broadcasters who agreed that it was feasible. When the system became operational, ABC, NBC, and PBS agreed to participate. CBS refused stating they wanted to develop a teletext system. In March 1980 approximately 16 hours of programming was made available. Currently, the number of hours has more than doubled. NBC recently announced it was considering withdrawing from the system, citing disappointing decoder sales as a major factor. Public reaction, discussions with the National Captioning Institute, and proposed plans to caption a prime-time national news program and to provide captioning for approximately

130 movies resulted in NBC reconsidering their decision. The availability of a national news program in prime-time and the increase of programming through movies is expected to result in a major increase in the number of decoders purchased.

ABC and NBC are spending over $1.0 million annually for television captioning services. PBS spends about $550,000 to caption programs. These figures do not include occassional additional captioned programs that are paid for by large corporations such as IBM, Prudential Insurance, and Proctor and Gamble.

Over 100 commercial advertisers are purchasing caption services for their commercials and the number is growing. Sears Roebuck and Company provides an $8.00 royalty to the National Captioning Institute for each decoding unit sold. These funds assist with the captioning of public broadcasting programs. Currently, there are about 40 hours of captioned programs available each week. Hearing-impaired viewers have spent over $15.0 million to purchase decoders since March of 1980.

INNOVATION AND DEVELOPMENT

Question: In Fiscal 1982, Congress provided $7.2 million for innovation and development. This activity is proposed for inclusion in the special purpose fund. What contributions have been made to better education for handicapped children as the result of this appropriation? Please provide specific examples.

Answer: Research is not an area where the results are immediate. Thus, we can only project at this time what benefits may result from these specific dollars. Based on our best current estimates significant benefits will include:

-Availability of validated instruments for measurement of developing language skills in very young and severely handicapped populations (Children's Hospital, Boston)

-A curriculum and instructional materials which will permit parents to play an active role in the education of their visually handicapped preschool children.

-Guidelines for the use of biofeedback and relaxation training to facilitate education of handicapped children.

-Improved instructional techniques and materials for teaching social skills to severely and profoundly retarded children.

Question: What other sources of funding exist for this kind of research?

Answer: The special purpose funds activity under the budget request would include funds for the continuation and expansion of most innovation and development activities. Under the existing budget activity structure several other areas provide research and development support including deaf-blind centers, severely handicapped, and regional vocational activities. Educational research outside of the Education for the Handicapped account is limited. The National Institute of Education supports educational research although there is little emphasis specifically on handicapped populations. The National Institute on Handicapped Research and the National Institutes for Health also support research on problems of the handicapped but it is not usually educationally related.

STATE FUNDING FOR RESEARCH

Question: Do States pay for this activity? Which ones?

Answer: State and local governments provide little support for research in education of the handicapped that is of national significance. State and local efforts tend to be focused primarily on the solution of local problems. Only California and Florida have conducted significant amounts of research which is applicable at the national level, and neither of them is currently funding such activity at this time.

Question: This appropriation pays for nine research institutes. How were these institutes chosen?

Answer: Research institutes are funded through contracts which result from the competitive procurement process. A request for proposal is issued outlining the purpose of the institutes, the necessary qualifications for the successful awardee, and the tasks to be carried out under the contract. Eligible awardees include institutions of higher education, State and local education agencies, and other public and private educational and research agencies and organizations. Selection of the final contractors is made after review of the technical proposals and costs associated with them by a panel of experts in the field.

PRESCHOOL INCENTIVE GRANTS

Question: The preschool incentive grant program provides funds for identification and education of handicapped children aged 3-5 years. It is generally believed that the earlier a handicap is identified, the better a child can be served, and often more severe handicaps can be avoided. The Administration is now planning to place this program in a block grant. How many States have set up programs for handicapped pre-school children as a result of preschool incentive grants?

Answer: It is not possible to determine the number of States where services have been initiated as a direct result of funding from the program. Currently 55 State education agencies (including territories) participate in the incentive grant program.

Question: Are the services provided by preschool incentive grants different from those provided by regular State grants? In which ways?

Answer: Children receiving funding under the preschool program are also counted under the regular State grants program, so the services they receive are the same. The preschool program only provides supplemental Federal support for the 3 through 5 age group.

Question: If a State chooses to spend no funds under the block for this purpose, can it? What will then happen to this particularly vulnerable group of children?

Answer: Part of the purpose of the State block grant is to provide the States with flexibility to focus funds on those areas which it considers of primary importance. The proposed legislation, as it is currently under discussion, would allow the States to fund or not to fund preschool programs with Federal funds as they see fit. This does not necessarily mean, however, that these children will not be served. As provided under current law, the degree to which these children receive services would be a function of State law and practice.

MAINSTREAMING

Question: Currently, the Education of the Handicapped Act requires States to mainstream students "to the maximum extent appropriate." Does the Administration plan to keep this requirement in its proposed legislation? Why or why not?

Answer: Alternative proposals regarding the mainstreaming requirement have focused on clarifying the application of mainstreaming to make it clear that the right of the child to be mainstreamed is not without limit and that rights of other children to education must also be considered.

REGIONAL RESOURCE CENTERS

Question: The Federal Government has been supporting regional resource centers since 1969. In fiscal 1982, these centers received $2.8 million. What important role do these centers play?

Answer: The centers work with State and local education agencies and consumer representatives in each State to identify persistent problems in evaluating and developing quality programs and services for all handicapped children in that State. Then, through technical assistance activities, they link special educators and parents with the most recent developments in special education research, technology, and practice in critical areas related to their problems. Where States are facing common problems in serving handicapped students, regional resource centers develop multi-State activities to facilitate information exchange and to stretch valuable technical assistance resources.

Question: Why should the Federal Government continue to support them?

Answer: In recent years the States have made great progress in developing their capacities to provide special education to handicapped children. In order continue to improve their capabilities a technical assistance and coordinating function is desirable at the national level. Regional resource centers may be the most effective way to provide for this technical assistance and coordination. Before the acceleration in the development of State capabilities they were a primary source for developing State expertise. However, there may be better ways of accomplishing the same objective. Under the proposed special purpose funds activity the Secretary would have more flexibility to explore and fund efficient ways to meet the technical assistance needs of State and local education agencies. After appropriate review it may be found that the regional resource centers are the optimal way to provide for this function, in which case the centers could be funded under the special purpose fund.

Question: What have these centers accomplished? Cite specific examples.

Answer: Some examples of recent accomplishments of the regional resource centers under their current workscope include the following:

- In cooperation with West Virginia's eight regional coordinators, the Mid-Atlantic regional resource center developed a teacher-oriented training "kit" for individualized education program implementation that has been disseminated to 55 local education agencies and is being used by regular and special education teachers in classrooms across the State.
- The Mid-South regional resource center together with the State of Virginia developed a State Education Agency / Institutes of Higher Education conference model to increase knowledge and cooperation between State education agencies and institutes of higher education responsible for a comprehensive system of personnel development. This model has been implemented in Virginia and Tennessee and is planned for use in Kentucky in the spring of 1982.
- As a result of a conference for State legislators designed by the New England regional resource center, New England State directors of special education reported an increase in communication from key State legislators, and conference participants indicated they felt more competent to handle the problems and issues in special education.
- A training package for training regular class teachers in California has been used to train 2,557 teachers in that State.

Question: How has reduced Federal funding affected these centers?

Answer: Because the regional resource centers are forward funded, the effects of reduced Federal funding are only now being felt. A number of strategies have been implemented to cut costs and to eliminate redundancy within the program through better coordination. With reduced funding it will also be necessary to focus assistance on a more narrowly defined target audience. Thus there will be fewer activities aimed at providing a broad audience with information. Instead, more activities will be carried out which focus primarily on State education agency staff.

BLOCK GRANT

Question: Your opening statement says that the handicapped block grant proposal "will provide for administative simplification, increased State flexibility, and reduced burden for State an local governments." Could you provide us with some examples of this?

Answer: The consolidation of existing authorities and elimination of many paperwork requirements will simplify the administration of the program. For example, the proposal under discussion would simplify State applications by requiring assurances rather than supporting materials, and would increase the flexibility of the States in distributing funds within the State.

Question: In what ways do you feel that the present Education for the Handicapped Act has too many administrative requirements?

Answer: Public Law 94-142 is a highly detailed Act. Many of the sections of the Act require the State and local education agencies to submit excessively detailed information and documents as a condition of receiving assistance. For example, the State plan requirements include a requirement for a highly detailed description of the State's comprehensive system for personnel development.

PERSONNEL REDUCTIONS

Question: How have your recent actions to reduce staff within the Department of Education affected the capability of the Office of Special Education to carry out effective monitoring and compliance reviews of State and local educational agencies' implementation of the Handicapped State Grant provisions?

Answer: The Office of Special Education has not experienced any reduction in force (RIF) as a result of recent actions to reduce staff within the Department of Education.

Question: How many professional staff do you anticipate will be "RIFed" next year and what positions and responsibilities do these persons currently hold?

Answer: We do not anticipate that any professional staff will be "RIFed" in the near future.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Question: Since 1966, the Federal Government has appropriated $637 million for special education personnel development. Is there a shortage of special education teachers?

Answer: Based on estimates provided by States regarding the number of special education teachers required and the number available during the current school year, there is a current shortage of approximately 9,000 special education teachers.

Question: How is the shortage or oversupply measured?

Answer: The shortage is based on the following data and calculations:

Number of teachers employed 1980-1981	232,600
Loss due to attrition	-23,300
Number available for 1981-1982	209,300

Number required for 1981-1982	245,900
Number available for 1981-1982	-209,300
Number of new teachers needed	36,600
Number of new teachers receiving degrees	-27,600
Shortage	9,000

Data are provided by the National Center for Educational Statistics and by States in their State plans which are submitted in accordance with Public Law 94-142.

Question: Why should the Federal Government be responsible for the training of this special class of teachers?

Answer: A special education training program in a university usually serves several States. Typically one State is unwilling to pay fully for training programs serving other States. The funds generated by enrollments are not enough to make these programs self sufficient. Tuition paid by students covers approximately one-third of the costs of a progam; the remainder is paid by State university or other funds. In addition, the use of student stipends supported with Federal funds assists students to complete degree requirements in a shorter period of time, and consequently begin teaching sooner. Students on stipend can also assist faculty so that faculty members can teach more students.

Question: Why aren't the free-market incentives of supply and demand enough to fill the need for special education teachers?

Answer: Until the mid 1970's many handicapped children were not receiving a free appropriate public education despite the existence of the free-market supply and demand forces. Without governmental support, we believe that the shortage of teachers - and the lack of adequate programs to serve handicapped children -- will continue. Our proposals are intended to return authority over many of these governmental responsibility to the States, and to retain those which most appropriately belong to the Federal level. Preservice training appears to be an area where continued Federal involvement is required.

Question: What portion of this budget in FY '82 is directed at inservice training of special education and regular classroom teachers?

Answer: About 42 percent of the funds appropriated in fiscal year 1982 for the 1982-1983 academic year are directed toward inservice training of special education and regular classroom teachers.

PART B STATE GRANT RESCISSION

Question: In fiscal 1982, Congress provided $931 million for handicapped State grants. This would provide an average grant of roughly $233 per child, representing 9.8 percent of the excess cost of educating a handicapped child. The Administration is proposing a fiscal 1982 rescission of $258 million from this program for a new total of $672 million, an average grant of $168, and 7.1 percent of the excess cost. On what grounds do you rationalize this cutback?

Answer: The Administration is committed to continuing efforts to reduce the deficit and slow inflation through reductions in Federal Government spending. We have attempted to develop a budget for 1982 that will meet the needs of handicapped children and the need for fiscal restraint during this period of economic recovery, while at the same time recognizing that education is primarily a State and local responsibility.

Question: How do you propose that States make up for reduced Federal support in this area?

Answer: How the States deal with this reductions will be largely at their own discretion with a minimum amount of Federal intervention. There may be some reduction in services, or revenues may be raised to offset the reduction in Federal support. In either case, the elimination of burdensome Federal requirements and increased State flexibility should improve the ability of the States to provide what they consider to be quality education. It should be noted that the rescission proposal would shift only about 1.4 percent of the total cost for educating handicapped children from Federal to State and local responsibility, and that a significantly reduced inflation rate would more than offset this reduction.

BLOCK GRANTS

Question: Implicit in the Administration's decision to seek a block grant is the belief that States can do an effective, comprehensive, and compassionate job of providing an appropriate education for the handicapped, without Federal incentives or requirements. Why does the Administration feel that there is no longer a need for a strong, Federal role in assuring handicapped children an education?

Answer: The Federal interest in ensuring that handicapped children have an appropriate education has not changed. Oversight will continue to be a major Federal role as will the continuation of financial support under the block grant proposal.

Question: The Federal Government became involved in education of the handicapped, precisely because many States were not educating handicapped children. What makes you sure they will do so now if Federal involvement, incentives and requirements are reduced?

Answer: Under the block grant proposal which is being considered at this time, the States would continue to be required to assure an appropriate education for handicapped children. The amendments under consideration are directed toward assisting the States to provide such an education by eliminating requirements that are intrusive, burdensome and not essential to programmatic objectives.

BLOCK GRANTS

Question: The Administration's proposal for the handicapped block grant proposes a two-part block, one part for State grants, the other for special purpose funds. For the State grants section of the block, you are recommending we lump together the handicapped

State grant program, the preschool incentive grant program, and the Title I handicapped program. Would there be any requirement that States spend the same proportion of funds in the future, as they have spent in previous years for these separate program purposes?

Answer: One of the primary reasons for the blocking of these programs is to provide the States with increased flexibility to target funds on those activities which they consider to be of greatest importance. As it is currently being considered, there would be no requirement under the proposed legislation to require the States to continue funding of activities in proportion to the levels of support which were provided in prior years.

Question: Would States have any restrictions at all on the use of these funds?

Answer: States would continue to be required to use these funds for the education of handicapped children. In addition some other limitations are under consideration such as limiting administrative expenses to 5 percent of the total funds available to the State and requiring that at least 75 percent of the funds be passed through to local education agencies and State agencies providing direct services.

PRESCHOOL INCENTIVE GRANTS

Question: Your budget justification states that the preschool incentive grant program seeks "to encourage States to expand educational programs to handicapped preschool children." Under the block, if a State wanted to spend no funds for this purpose, could it do so?

Answer: Under the block grant proposal being considered, there would be no requirement for the States to use Federal funding to support preschool programs. However, this would not necessarily mean that the programs would be discontinued or not expanded. Education for preschool children would continue to be, as it is now, determined by State law and practice.

MAINTENANCE OF EFFORT

Question: The Administration has not yet submitted its proposal for a handicapped block grant, though the general outline of it, a State grant portion, and a special purposes portion, is well known. Within the State grants section, will there be any maintenance of effort provision? What will it consist of?

Answer: The legislative options under discussion at this time do not require maintenance of effort.

INDIVIDUALIZED EDUCATION PROGRAMS

Question: Will school districts still be required to prepare individual education plans for all handicapped students?

Answer: The proposal under discussion would amend the requirement for highly structured individualized education programs to require individualized educational planning. States would have flexibility in the approach to such planning for the individual handicapped child.

DUE PROCESS REQUIREMENTS

Question: What due process requirements will States still have to meet to insure the rights of handicapped students and their parents are protected?

Answer: The proposals under discussion would retain the basic procedural safeguards in the current law.

REPORTING REQUIREMENTS

Question: What reporting requirements will States have to observe under the block grant?

Answer: The amendments under discussion would require the States to submit a plan every three years describing the intended use of funds and providing basic assurances.

FEDERAL ENFORCEMENT

Question: What enforcement role do you foresee for the Department under the proposed block?

Answer: The Federal Government would continue to ensure that the States were providing special education to handicapped children in accordance with the assurances provided by the States under the law. The law would continue to authorize the Secretary to bring an enforcement action against those States and sub-State grantees which do not comply with the law.

BLOCK GRANT FUNDING LEVEL

Question: The budget estimate for the State grants portion of the proposed block grant is $771 million. This is a significant reduction from the roughly $1.1 billion currently available. This would reduce the Federal commitment to these programs by 30 percent. Why are you reducing support for these programs by 30 percent? Why so much?

Answer: The Administration is committed to continuing efforts to reduce the deficit and slow inflation through reductions in Federal Government spending. The reduction represents these programs fair share of the required budget reductions, and takes into consideration the needs of handicapped children and the need for fiscal restraint during this period of economic recovery, while at the same time recognizing that education is primarily a State and local responsibility.

ADMINISTRATION LIMITATION

Question: How much of this total may be used by States for administration?

Answer: We are considering retention of the provision in existing law which limits administrative costs to no more than 5 percent of the funds made available to the States.

SPECIAL PURPOSE FUND

Question: In fiscal 1982, Congress provided $87 million for all the non-State grant categorical programs. The Administration is proposing to lump all of these together in a special purpose fund with a budget request of $73.7 million, a $13 million reduction. In addition, your budget justification states, "Federal support for those service activities which are most appropriately conducted by State and local education agencies will be discontinued." Which activities do you plan to discontinue?

Answer: The proposed special purpose fund will include all of the discretionary program authorities which are currently funded under the Education of the Handicapped Act. We intend to continue most of these activities in fiscal year 1983. Those programs which support States' efforts to serve handicapped children will be maintained at their fiscal year 1982 level or will be increased, whereas those programs which provide direct services or which provide services which can be best provided by other levels of government will be reduced or eliminated. Specifically, we are examining the need to continue providing financial support for the service component of deaf-blind centers and regional resource centers. A final decision with respect to these programs has not yet been made.

Question: What criteria do you use to determine which activities are "most appropriately conducted by State and local" school districts? How are these criteria developed?

Answer: It is the primary responsibility of State and local education agencies to provide direct education to handicapped children. Activities which focus on the direct provision of services are therefore most appropriately conducted at State and local levels. Also, efforts which are closely related to the ongoing State requirements to provide these services might also be considered in this category. For example, inservice training is viewed primarily as a State and local responsibility and therefore most appropriately funded at State and local levels. A primary consideration in determining whether something is appropriately conducted at the State or local level as opposed to the Federal level is the effectiveness and efficiency with which the function can be performed. Research, demonstration, technical assistance, or services to small target populations are examples of Federal role activities.

SPECIAL PURPOSE FUND

Question: A part of the appropriation for Education for the Handicapped pays for services such as: specialized centers for deaf-blind children, seed money for innovation and development of new techniques for teaching the handicapped, and various projects to provide special educational media and resources for the handicapped. The Administration proposes to lump all these programs into a special purpose fund, which would be administered largely at the discretion of the Secretary. What guarantee is there that the Secretary will continue to fund certain high Congressional priorities, such as deaf-blind centers?

Answer: The Department will continue to fund activities for which funds are specifically earmarked by Congress. This special earmarking would, however, remove some of the flexibility which is one of the primary purposes behind the consolidation of discretionary activities into the special purpose fund. The purpose of the consolidation is to enable the Administration to provide the best possible education for the Nation's handicapped children by giving the Secretary increased discretion to focus resources in the most effective way possible based on a coordinated Federal plan.

Question: What control will Congress have over the uses of the special purpose fund?

Answer: Congress will continue to maintain control over the use of funds through the appropriations process.

OVERCLASSIFICATION AND MISCLASSIFICATION

Question: Last September, the General Accounting Office issued a report "Disparities Still Exist In Who Gets Special Education." This report indicated that there appears to be "a disproportionate share of minority children in some special education programs and also overclassification of males, particularly in classes for the emotionally disturbed and learning disabled." Do you agree with these findings? What do you believe causes them?

Answer: In general, these findings appear to be accurate. The problem of overclassification of minority children is a most complex one with a variety of factors involved. Many minority children are from disadvantaged social and economic backgrounds which can cause serious educational problems. Such children are sometimes misclassified as handicapped when in fact their educational problems stem from other factors. Although there may be a problem with regard to the overclassification of males we have not yet studied it in depth.

Question: What guidance and technical assistance does the Department provide to help school districts avoid overclassification of certain groups of children?

Answer: We have funded a number of studies to attempt to develop assessment procedures which will more carefully guard against overclassification of minority children. The Department is presently planning a major initiative to work with States to help them reduce the number of misclassified minority children. Recently released Office of Civil Rights data will be shared with States and technical assistance offered to develop solutions. Other facets of this new initiative are still in the developmental stage, but the Department does recognize this serious problem and is planning new strategies to combat it.

PROGRAM OVERLAP

Question: In the General Accounting Office report "Disparities Still Exist In Who Gets Special Education," GAO noted that no serious investigation had been done to study the nature, extent, and impact of overlap between ESEA Title I and Title VII, and Public Law 94-142, handicapped State grants.

To what extent do you believe that there is considerable overlap between Title I, education for the disadvantaged, and the education for the handicapped program?

Answer: The degree of overlap between ESEA Title I and the education for the handicapped program is not known.

Question: What steps does the Department take to try to prevent duplication and overlap between these programs?

Answer: In its report, the General Accounting Office states that the issue of overlap among these three programs "is important because students who are identified as handicapped and also are eligible for title I or title VII services do not necessarily receive all services..." They "may receive services and be counted under the title I or VII programs rather than Public Law 94-142," thus limiting the available services. There are procedures in Public Law 94-142 for ensuring that such overlap does not result in a student being denied needed services. Public Law 94-142 requires active child find procedures at the State and local levels to identify all handicapped children. Once identified and determined to be handicapped, that child must receive appropriate special education and related services to meet his or her unique needs. If a child has a need for services provided by Titles I or VII in order to benefit from special education, these must be provided. Therefore, although there may or may not be considerable overlap among these programs, there is no reason to believe that such overlap results in denial of services.

Question: Does the Department have any plans to conduct such a study?

Answer: We do not plan to conduct such a study in the near future.

MONITORING AND ENFORCEMENT

Question: The Committee understands that a memorandum of understanding between the Office of Special Education (OSE) and the Office for Civil Rights (OCR) in the Department of Education was signed on October 17, 1980. This memorandum was designed to improve coordination between OCR and OSE in monitoring and enforcement of the handicapped education law and Section 504 of the Rehabilitation Act. What were the key provisions of this memorandum?

Answer: The key provisions of this memorandum provided for coordination between the Office of Civil Rights and the Special Education Programs office, as the Office of Special Education is now called, in the areas of State plan review, complaints, technical assistance, policy development, and compliance reviews.

Question: How has this memorandum helped you improve enforcement of the Handicapped Education Act?

Answer: The memorandum has been particularly helpful in the investigation of complaints received by the Special Education Program office. Under the terms of the memorandum, most complaints received in that office are forwarded to the Office of Civil Rights for investigation. The Office of Civil Rights system of complaint investigation, which can include on-site visits, has proven to be effective in identifying practices which are inconsistent with Public Law 94-142 and Section 504 of the Rehabilitation Act. Many of these improper practices have been eliminated through negotiation between local school districts and the Office of Civil Rights.

Beyond that, the memorandum of understanding has helped improve enforcement of the Act by ensuring a close working relationship between the Office of Civil Rights and the Special Education Programs office. In the past there were charges by States that the Office of Civil Rights and the Special Education Programs office were applying different standards in the enforcement of the Act. This problem has been eliminated due to the increased communication between the two offices in the areas of State plan review and policy development. The result has been a more consistent Department-wide application of standards which has clarified to States the extent of their responsibilities and has resulted in more efficient enforcement of the Act.

Question: What are the unique functions of OCR and OSE in the monitoring and enforcement of the handicapped and rehabilitation legislation?

Answer: The major monitoring and enforcement function of the Office of Civil Rights is the investigation of individual child complaints. The Office of Civil Rights communicates directly with local educational agencies and can require them to change practices which result in noncompliance. The Special Education Programs office, on the other hand, concerns itself mainly with implementation of the statute at the State level. The Special Education Programs office does not intervene at the local level but rather ensures that the State education agency is meeting its responsibility of enforcing the Act State-wide.

SITE VISITS

Question: Historically, the Department of Education has depended upon site visits to monitor States' compliance with the handicapped education law. Every two years each State agency and a sample of local school districts within each State have been visited by Department of Education staff to determine if State and local education agencies were complying with the key provisions of the handicapped State grant program. Have you been able to continue these visits on a regular, thorough basis in the last two years? If not, why?

Answer: States have been monitored on a regular thorough basis over the last two years.

Question: How many site visits were performed in FY 1980, 1981, and 1982?

Answer: Nineteen site visits were held in fiscal year 1980, 21 in fiscal year 1981, and, due to fiscal constraints, 12 are scheduled for fiscal year 1982.

Question: Is each State still being monitored every two years?

Answer: States are now being visited at least once every 3 years, due to limitations on travel funds and the establishment of new monitoring mechanisms.

Question: How effective have these site visits been in improving compliance with the Act?

Answer: These visits have been very effective in improving compliance with Public Law 94-142. During fiscal year 1981 over 20 States received monitoring visits. Most States instituted corrective actions as a result of these visits to improve State monitoring, State administration of complaint procedures, and State supervision of the education of handicapped children served through the State agencies.

SPECIAL EDUCATION REGULATION CHANGES

Question: If you plan to eliminate the majority of data collection and reporting requirements presently contained in the annual program plan, what assurances can you give that data will be available to Congress to assure effective Congressional oversight?

Answer: The regulation changes under consideration will enable the Department to continue to provide essential programatic information. In addition, the evaluation authority in Section 618 of the current law will continue to enable the Department to collect essential data through sampling and surveys.

Question: Would you please give some specific examples that demonstrate that the suggestions of parent and handicapped childrens advocacy groups will be reflected in the new regulations?

Answer: The regulation changes under consideration would retain the provisions for parent consultation, public comment, State advisory councils, parent participation in individualized education program, and written notice in the case of any changes in the handicapped child's placement. In addition, the regulations would retain the procedural safeguards for handicapped children and their parents.

Question: Were the Part B proposed regulation revisions designed to appease the complaints of program administrators, or to continue to ensure educational opportunity for handicapped children?

Answer: The proposed changes to the Part B regulations now being considered would continue to ensure equal educational opportunity for handicapped children. In the development of these changes, we are considering the views of all interested parties including parents, advocates and administrators.

Question: By not including regulations pertaining to the issues of expulsion and suspension of handicapped children, and the provision of extended school years, are you not allowing State policy to operate at the risk of litigation if State policy is inconsistent with judicial precedent?

Answer: The Department of Education is considering regulating on the issues of suspension and expulsion and the provision of an extended school year.

SPECIAL EDUCATION REGULATORY CHANGES

Question: How will the lack of a position on these issues complicate Office of Civil Rights enforcement actions?

Answer: One of the reasons the Department is considering regulating on these issues is the Office of Civil Rights enforcement problems.

Question: You are proposing a change in the definition of handicapped children. How many of the estimated 4 million children currently participating in the Part B program would not be eligible under your proposed change?

Answer: The regulatory changes under consideration would simplify or clarify the definition of handicapped children. The basic definition would not be changed. To the extent that children currently participating in the Part B program have been appropriately evaluated as handicapped and by reason thereof require special education and related services there would be no change in the number currently participating.

Question: Regulation changes to modify parental participation are being considered. Currently, a parent is required to be present at each meeting related to the IEP. Proposals under consideration would require that parents only be given the opportunity to participate in IEP planning. Do you anticipate greater use of the due process procedures if these requirements are relaxed?

Answer: The regulatory changes under consideration are aimed at reducing the paperwork burden associated with the individualized education program. The statutory provisions for parent participation in individualized education planning would not be changed by the regulatory alternatives being considered.

Question: One of the most controversial aspect of the due process procedure has been the determination of who may qualify as an impartial hearing officer. What position is the Department going to take on the impartiality of a State school board Officer? Why is this different from past decisions where the Department has not approved State plans that name school board officers because of potential conflict of interest and abuse of the due process hearing?

Answer: The regulatory changes under consideration would continue to preclude a hearing or review being conducted by any person having a personal or professional interest which would conflict with his or her objectivity in the hearing or review. We are considering changes that would clarify those circumstances where a State education agency official could participate in hearing issues that do not involve the State education agency.

Rehabilitation Services and Handicapped Research

IMPACT OF VOCATIONAL REHABILITATION RESCISSION

Question: For the first half of fiscal 1982, the States have been receiving funding based on the Continuing Resolution level of $863 million for vocational rehabilitation Basic State Grants. Your proposed rescission would force a cutback of $91 million in the last six months of the fiscal year, which would appear to cause severe disruptions in State agency operations starting April 1, 1982. Do you agree with the estimate of the Council of State Administrators of Vocational Rehabilitation, that this rescission would force layoffs of nearly three thousand staff members involved in delivering services?

Answer: The State Administrators are in the best position to estimate the impact of funding reductions on their State agency staff. Through a telephone survey of the three largest States in Region III, we were informed that as of March 11, 1982 a reduction of 302 positions or 9 percent of staff has already taken place. Additional cuts of 244 positions are planned during fiscal year 1982, bringing the staff reductions to 16 percent of total staff.

Question: Can you give us assurances that States will not be required to cancel vocational training and other rehabilitation services currently in progress so that individuals now enrolled will not be adversely affected?

Answer: In the past when funding levels were reduced or dollars became scarce, States have followed a practice of serving those people in the program and curtailing the intake of new clients. This practice appears to be continuing based on Order of Selection plans we have reviewed this year. Order of selection is a system States use when funds are not available to serve all eligible referrals. The plans call for serving those already in the program, with priority to the severely disabled. They also encourage providing services to those people who can be served without additional funds to purchase services. This, plus the greater use of similar benefits from private and other public sources, is expected to permit each dollar appropriated in the rehabilitation program to be better utilized and to ensure that the most needy of the disabled population continue to receive services. It is also expected of State vocational rehabilitation agencies to function in the most cost-efficient manner possible to offset the reduced amount.

Question: Can't you delay forcing States to undergo severe cutbacks on April 1, since failure to act on your rescission could require you to spend these funds anyway by the end of April?

Answer: We believe the States should have contingency plans and wait and see what action is taken on the rescission request during April. Any action to cut back or wait till later in the month is up to the individual States. The third quarter initial allotment to the States would probably reflect the proposed rescission funding level. If Congress fails to implement the requested rescission by April 22, supplemental grant awards could be issued for the third quarter.

OFFSETTING LOSS OF REHABILITATION FUNDS UNDER SOCIAL SECURITY DISABILITY INSURANCE AND SSI

Question: Doesn't the proposed rescission result in a double blow to State rehabilitation service agencies in light of an anticipated loss of $120 million in Social Security funds for rehabilitating disabled persons?

Answer: The total amount of funds available in fiscal year 1981, including Basic State Grants, Social Security Disability Insurance and Supplemental Security Income was $978,309,000. At the $863,040,000 level for Basic State Grants in fiscal year 1982, the net loss from 1981 will be 12 percent. The proposed 1982 rescission further reduces funds to $771,869,000. The funding loss will total 21 percent. However, these calculations do not take account of the fact that the States will be reimbursed by the Social Security Administration in the future for the cost of rehabilitating clients who have attained employment at the substantial gainful activity level for a continuous period of nine months.

Question: What measures are being taken to overcome the loss of these Social Security funds which have previously supplemented the Basic State Grants program?

Answer: State rehabilitation agencies may take such measures as reducing administrative costs, use of similar benefits to cover case service costs, and imposition of order of selection practices so that priority will be given to individuals most in need of services. Some States may also increase their match. While 20 percent is required, in fiscal year 1981, 30 agencies exceeded the requirement on the proportion of State funds applied to the program. The loss may also be partially counteracted by requiring financial participation by clients or their families based upon needs tests.

DEVELOPMENTAL DISABILITY SERVICES

Question: The Department of Health and Human Services has proposed cutting appropriations for Developmental Disabilities nearly in half, with what appears to be an attempt to phase out the program. What plans do you have to offset the impact of these cutbacks with vocational rehabilitation services to the developmentally disabled?

Answer: Some, but not a large proportion of the individuals served through developmental disability funded programs may be potential vocational rehabilitation program candidates. The number seeking vocational rehabilitation services is not expected to increase significantly as a result of a reduction in Federal developmental disability funds.

We expect vocational rehabilitation to continue to serve those developmentally disabled individuals who meet the eligibility requirements for the program. No special plans are needed or being made.

STATE FUNDING OF REHABILITATION SERVICES

Question: Is it realistic to assume that States, private agencies, and the private sector will be able to make up for the proposed withdrawal of Federal rehabilitation dollars?

Answer: We believe that special efforts by all three sectors will serve to lessen to some extent the impact of a reduced Federal contribution.

Question: How are States proposing to make up the gap in Federal dollars?

Answer: There are several actions that are being taken and can be taken to curtail reductions in services to handicapped individuals. Some States may continue to provide a larger match than the required 20 percent. In fiscal year 1981, 30 State agencies out of 54 reporting expended an additional $28.3 million above the required match. Also, many States have implemented order of selection systems whereby the most severely disabled persons are served first. In addition, States are being encouraged to use similar benefits to help offset the cost of services. These similar benefits include Medicare, other government and private resources as well as financial participation by the client or his family through private insurance programs. Alternative funding mechanisms, for example, bond issues, apportioned percentages of State excise taxes, etcetera, may also be explored.

Question: How many States have guaranteed their willingness to assume the increase in State funding necessary to carry out the proposed reduced Federal role in rehabilitation services?

Answer: The States have not been asked to guarantee their willingness to assume the increase in State funding necessary to carry out the proposed reduction in Federal funding. Because of the cost-beneficial nature of the rehabilitation program, as well as its contribution to improving the quality of life for people it serves, we feel that States will do as much as possible to increase their financial participation. In addition, the States will be exploring all possible sources of other funding for vocational rehabilitation clients and addressing more efficient methods of administering the program.

OTHER SOURCES OF VOCATIONAL REHABILITATION FUNDING

Question: Are there sources other than the Federal Government from which State vocational rehabilitation agencies can seek funding?

Answer: Yes, there are other sources from which States agencies can seek funding.

Question: What are they, and how much can they be expected to contribute?

Answer: The main source of supplementing Federal funds for program purposes is appropriated or other State funds made available to the State rehabilitation program from sources such as mental health and social services.

On an individual client basis, the cost of services can be reduced by the use of similar benefits such as Medicaid and student financial aid. The amount of money which clients contribute to the cost of services also represents a source of funding which could be increased as the result of applying stricter standards in financial areas. It is not possible to estimate the total impact of these contributions.

Question: In what way is private industry being encouraged to get more involved in the rehabilitation and job placement of handicapped people?

Answer: Some of the ways that industry is being encouraged to get more involved are as follows:

- Both employer and labor representatives are appointed to advisory committees.
- State agencies are forming relationships with employers so that there will be contact and consultation regarding recruitment and job adjustment.
- Industries are consulting with rehabilitation agencies, using the rehabilitation model in Workers Compensation Programs, and forming relationships of mutual benefit in carrying out equity of employment programs.

Question: What percentage of the current client caseload could realistically receive all its rehabilitation services through private industry or private organizations?

Answer: Private industry provides all rehabilitation costs only in the instance of workers compensation or health insurance. In most instances, disabled individuals who have all of the costs paid by or through private industry are mildly or temporarily disabled and would not be State agency clients. In other instances, the agency would provide counseling and other professional assistance along with needed services not covered under industry auspices. The percentage of our current caseload who can be served through private industry is not known.

Non-profit private organizations which provide rehabilitation services often provide "free" services to disabled individuals or charge fees based upon ability to pay. The source of funding other than fees may include Federal and State grants along with donations from the public and from private industry. Proprietary rehabilitation agencies may also have endowments or other funding sources to pay the costs or to reduce fees for clients or patients who are unable to pay. Because of great differences in individual service needs, it is not possible to arrive at a meaningful percentage of the caseload which could receive all services through private sources. Some people served through these sources would not be eligible for State vocational rehabilitation services based on insufficient disability or lack of employment potential.

Question: What efforts are being made to increase the use of volunteers as a means of extending the buying power of rehabilitation funding?

Answer: Volunteers are used mainly in non-profit rehabilitation facilities and organizations. While there is opportunity for the contribution of voluntary expert consultation, the State rehabilitation agency may be restricted in the use of volunteers in service delivery because of overall State rules or policy.

Volunteers, especially handicapped peers, are part of the process in independent living centers. They also form an important part of other special projects, and self-help ventures. The use of volunteers in any organization from which the State rehabilitation agency purchases services tends to decrease the cost of rehabilitation. It is expected that State agencies will be reviewing ways to increase the use of volunteers.

UTILIZING RESOURCES OF OTHER AGENCIES

Question: A number of other Federal agencies have resources which could be utilized to a far greater extent to provide services to the handicapped. What efforts have you undertaken to enhance services for the handicapped provided by Employment Service Offices, Community Action Agencies, and CETA projects?

Answer: In order to assist the States, the Rehabilitation Services Administration has a written agreement with the U.S. Employment Service which provides a model agreement for the State level. In most States, there is an active written interagency agreement between the State employment service and the vocational rehabilitation program for cooperative action. State rehabilitation agencies utilize the State employment services offices in the areas of job placement, referral, and occupational information.

Rehabilitation activities relate to Community Action Agencies by creating mechanisms for cross referral and the sharing of information and procedures for the mutual sharing of community resources for handicapped individuals.

Rehabilitation clients are enrolled in training and employment programs under CETA. However, vocational rehabilitation services seek to place disabled persons in permanent jobs; therefore CETA agreements often have only superfluous value for vocational rehabilitation clients.

Question: Do you keep track of the level and quality of services provided the handicapped through other Federally-funded programs, in an effort to better coordinate and maximize benefits?

Answer: Monitoring of interagency activities is conducted by central and regional offices. One main Federal function is to assist the States in coordinating vocational rehabilitation services with other Federal programs to maximize benefits.

Question: What jointly funded projects for the handicapped have you developed to leverage resources of other agencies?

Answer: Over the years, there have been jointly funded projects with the Developmental Disabilities Administration, the Offices of Special Eduction and Vocational Education, National Institute of Mental Health, CETA, and the Veterans Administration. Current examples include a research and training center in rehahabilitation and mental health jointly funded by NIHR and mental health, and a training, placement and community development project involving vocational rehabilitation, special education, and the Department of Labor's youth programs.

Question: What plans to do you have to fill the gap that would result from the Administration's proposal to eliminate the Architectural and Transportation Barriers Compliance Board?

Answer: The Rehabilitation Services Administration would continue to offer technical assistance in the area of accessibility . Also, the General Services Administration would still be capable of applying its standards, and the Architectural Barriers Act of 1968 would remain in effect.

REHABILITATION SPECIAL PURPOSE FUNDS

Question: You are proposing to consolidate several rehabilitation discretionary activities currently funded at $60.4 million into a Special Purpose Fund, for which $43.8 million is requested. How will priorities be established among the various authorized special purpose activities?

Answer: No final decisions have been made on the establishment of priorities under the Special Purpose Funds authority. However, we anticipate that program priorities will shift from support for narrowly defined categorical projects to broad-based programs. The proposed consolidation will provide the Secretary with increased discretion in targeting Federal resources on the most effective method of serving handicapped persons.

Program priorities would be designed to meet the changing rehabilitation needs of severely disabled individuals. Program priorities would be announced to the public. Funding levels would be adjusted each year to reflect the overall availability of funds under the Special Purpose Funds authority, and new needs.

Question: What is your estimate of how the $43.8 million will be spent, compared to each component for which $60.4 million is currently available?

Answer: No final decisions have been made on the use of Special Purpose Funds. However, we anticipate that the funds requested will support projects of regional or national significance, and projects meeting the unique needs of special handicapped populations. The proposed consolidation of discretionary authorities will make it possible to respond in a more flexible manner to the rehabilitation need of severely disabled persons.

PROJECTS WITH INDUSTRY

Question: Your prepared statement indicates that "Projects with Industry" activities will remain a Federal priority, yet your budget fails to identify how much will be spent on these activities. How much do you estimate will be spent for Project with Industry in fiscal year 1983, compared to the $7,510,000 being spent in fiscal year 1982?

Answer: No final decision has been made on the funding levels for the Special Purpose Fund activity. However, the Projects with Industry program has been a high priority activity and has provided an effective mechanism for cooperative job development and job placement within the private sector.

Question: The Department of Labor is proposing a 75 percent reduction in its Special National Projects appropriation, which in the past has supported numerous employment and training programs for the handicapped. What impact will this cutback have on such jointly funded activities for the handicapped as Projects with Industry?

Answer: This will depend upon the amount earmarked for special handicapped worker projects in fiscal year 1983. We are hopeful that a fair share of the funds appropriated will be utilized to support employment and training programs and to continue such jointly funded activities as Projects with Industry.

INDEPENDENT LIVING

Question: What have been the results of the independent living projects?

Answer: An independent national study of the Independent Living Centers program completed last year concluded that the program had been implemented at the Federal and local levels as intended, that severely disabled persons are substantially involved in Center management and policy direction, and that the Centers are influencing the expanded participation of severely disabled persons in family and community life.

The most recent annual information available from Center programs indicates that 23,000 disabled persons have been provided independent living services. These Centers have developed formal working relationships with over 240 agencies, and working arrangements with an additional 944 community agencies that provide benefits and/or services for disabled individuals. Approximately 400 disabled individuals are employed as staff in the Centers.

Question: How much do you estimate will be spent for these projects in fiscal year 1983, if your proposal to eliminate their categorical funding is approved?

Answer: No final decision has been made on the use of the Special Purpose Funds. However, we expect to continue support for Independent Living Center activities.

Question: If Congress rejects your proposal to eliminate separate funding for Independent Living Projects, how much would be needed to continue the current level of projects in fiscal year 1983?

Answer: In fiscal year 1982, $17,280,000 is available under the Continuing Resolution to fund approximately 87 projects, of which 12 will be new. Fifty-four projects will obtain their third and final year of funding in 1982. To continue in 1983 only those 33 projects from prior years would require $7,894,000.

REHABILITATION TRAINING

Question: Given that vocational rehabilitation funding and client caseload are in decline, is there now a surplus of trained professionals in this field?

Answer: There still continues to be a demand for rehabilitation personnel in most fields.

Question: Are there any areas, such as prosthetics and orthotics education, where a manpower shortage still exists?

Answer: There are still many professional personnel areas where manpower shortages exist. Prosthetics and Orthotics is an example which can be documented by a variety of data resources and manpower studies.

We will attempt to focus training efforts on this and other such critical manpower shortage fields as job development and job placement, physical medicine and rehabilitation and the training of professionals skilled in the rehabilitation of the blind and the deaf.

Question: How do you propose that existing national rehabilitation training centers continue to be funded, if each individual State becomes responsible for its training needs?

Answer: We do not propose such a policy. Training programs for rehabilitation professionals is an appropriate Federal activity. We are, however, proposing to transfer in-service training to the States.

Question: Is it practical to have each State operate its own training programs in specialty rehabilitation occupations, instead of supporting single training centers serving multi-State needs?

Answer: Specialty rehabilitation occupations such as physical medicine and rehabilitation, require training programs of a pre-service academic nature, which would not be feasible for a single State to support. For those specialty occupations which primarily result from training such as job development and job placement, single training centers may provide recurring training common to a region or another multi-State geographical area.

Question: The Rehabilitation Act requires that the Commissioner determine the training needs for personnel to provide services and develop a long-term rehabilitation manpower plan intended to target resources on areas of shortage. What does your report as required by that section and your long-term plan indicate as the areas of need and how are your attempting to respond to those areas?

Answer: Personnel needs exist in the fields of job placement and development, rehabilitation medicine, rehabilitation counseling, physical therapy, occupational therapy, speech-language pathology and audiology, workshops and rehabilitation facility administration, prosthetics and orthotics, specialized personnel providing rehabilitation services to deaf and blind individuals, and therapeutic recreation and related fields contributing to the rehabilitation of severely physically or mentally disabled individuals.

We will focus our resources on such critical manpower shortage fields as job development and job placement, physical medicine and rehabilitation, prosthetics and orthotics, rehabilitation facility administration, and the training of professionals skilled in the rehabilitation of the blind and the deaf.

Question: Doesn't the data accumulated by the Graduate Medical Education National Advisory Committee indicate that rehabilitation medicine is one of the very few areas of medical specialities that has a shortage? Haven't the GAO, and your Agency all made findings that this field of medical specialty needs two to three times as many physicians as it presently has?

Answer: Our own data and studies indicate that rehabilitation medicine continues to be a significant rehabilitation manpower shortage area. We are aware of the Graduate Medical Education National Advisory Committee's findings. These findings confirm the need to continue to train, on a priority basis, professionals in the field of rehabilitation medicine. To the best of our ability, we will utilize funds to meet this need.

SPINAL CORD RESEARCH

Question: Hasn't the spinal cord injury centers or systems program of section 311(b) produced evidence over the past five years that the program saves money for the Federal Government regarding income support and health care for those served?

Answer: The Model Spinal Cord Injury System is providing cost-effective overall medical service delivery alternatives. The presently designated seventeen Model Systems are significantly influencing American medical practice from point of injury, through intensive-acute-rehabilitation care, and into the community through innovative techniques and methods.

The operation of these model systems has proven to be very cost-beneficial. Hospital costs have been cut by 50 to 65 percent; follow-up care reduced by 75 to 90 percent, and patients develop income producing, tax paying life styles.

Question: Hasn't it been shown that a spinal cord injured person served in these model demonstration programs will spend far fewer days in the hospital and be much more likely to return to work?

Answer: Patients with paraplegia or quadreplegia are averaging 107 days from injury to initial discharge in the Model Systems. This can be compared to 180 - 240 days in a typical "nonsystem" medical setting. This significantly shortened stay is produced by sophisticated resources and expertise, coordinated services, and an intensive level of care developed for spinal cord injured patients. Patients benefiting from Model System care return to work and independent life styles in 80 percent of cases, compared to 5-15 percent of those served in other settings.

Question: Since the law establishes spinal cord injury research as a priority, what plans do you have to at least maintain funding for the 17 existing spinal cord injury centers?

Answer: During fiscal year 1982, in accordance with Department of Education Grants Management Regulations, all 17 presently designated model systems will be subjected to open national competition. A non-Federal scientific and technical peer review panel will review and rank all applications. As a result of this competition, it is anticipated that up to the 17 model system projects will be supported.

OMB REQUEST

Question: How much did you request of OMB for Vocational Rehabilitation and Education of the Handicapped programs?

Answer: The Department stands by the President's budget request for Vocatónal Rehabilitation and Education for the Handicapped. All figures were preliminary and unofficial.

Question: How much did you originally request of the Department for those programs?

Answer: As indicated, the Department stands by the President's budget request for Vocational Rehabilitation and Education for the Handicapped. All other figures were preliminary and unofficial.

Question: How much consultation did you have with OMB in formulating your budget recommendations?

Answer: The President's budget request is developed in close cooperation with OMB and the President to enable the Administration to carefully weigh all the needs of the Federal Government and to ensure that the President's request reflects the Administration's priorities.

Question: To what extent did you coordinate with the Department of Health and Human Services over the funding levels for programs proposed for transfer to HHS?

Answer: Discussions with HHS on the transfer proposal were conducted at the Departmental level.

VOCATIONAL REHABILITATION

Question: What assurances can you give that the mandates in the existing rehabilitation statute will be carried out, until such time as Congress changes the law?

Answer: The mandates in the current statute are in effect and the officials of this agency are fully committeed to carrying out the letter and the spirit of the legislation presently on the books while planning for and proposing changes.

Question: What assurances can you give that you will maintain administrative control over these programs until Congress agrees to transfer them to HHS?

Answer: Congressional appropriations for Rehabilitation Services and Handicapped Research will continue to be allocated to the Department of Education until such time as the Foundation for Education Assistance proposed legislation is enacted into law.

Program staff assigned responsibility for administering these programs will continue to report to and receive direction from the Assistant Secretary for Special Education and Rehabilitative Services. Every effort will be made to maintain administrative control over these programs until the official date of transfer occurs.

PROPOSED LEGISLATION

Question: In your prepared statement, you indicate proposed vocational rehabilitation legislation is being submitted "to provide for administrative simplification and increased flexibility in the way States many operate the program." Specifically, what changes are you proposing to improve administration of vocational rehabilitation programs?

Answer: No final decisions have been made on the legislative proposal for the rehabilitation services program. We are, however, considering amendments to the Rehabilitation Act which would eliminate requirements that are not essential to programmatic objectives. This would reduce Federal interference with decisions which are better left to the States. Among the items under discussion are proposals to eliminate a majority of the State plan requirements, many paperwork requirements, and unfunded or duplicate authorities.

Question: What cost savings to you anticipate would result from these administrative savings?

Answer: Cost savings would be realized through reductions in staffing due to simplification of the administration of the program. There would also be cost savings realized through the reductions in paperwork requirements and Federal regulations.

Question: What is the status of the Administration's proposed legislation?

Answer: The proposed legislation for the rehabilitation services programs has been submitted to OMB for review.

Question: If this legislation is not enacted, what are your recommendations for funding existing programs in fiscal 1983?

Answer: If the proposed legislation is not enacted we would probably recommend that the existing program be funded at the level of the President's 1983 request.

Question: The proposal to consolidate Service Projects, Independent Living, and Training into a Special Purpose Fund significantly alters the existing Rehabilitation Act. When does the Administration plan to submit authorizing legislation to accompany this proposed consolidation?

Answer: It is estimated that the legislative proposal will be submitted to the Congress some time in April.

Question: When does the Administration plan to submit legislation to accompany the proposed transfer of Rehabilitation Services and NIHR from the Department of Education to the Department of HHS?

Answer: The proposed transfer of these programs is part of the plan to establish the Foundation for Education Assistance, and legislation for this transfer would be submitted to Congress along with the Foundation proposal.

VOCATIONAL REHABILITATION

Question: The proposed rescission would fall in the third and fourth quarters of fiscal year 1982. What will be the effect of such a rescission occurring in the last half of the year and how do you expect the State vocational rehabilitation agencies to absorb this reduction in funding?

Answer: The requested rescission of $91 million dollars would result in a 21 percent reduction in funding during the last half of the fiscal year. In order to offset the reduction, States may be expected to take several actions including implementing order of selection procedures whereby the most severely disabled persons are served first, seeking other sources of funding from government agencies and the private sector; requiring financial participation by clients or their families if they are able to contribute, and increasing the State share from 20 percent upward as much as possible.

Question: Ultimately, we are not asking that the disabled, the most vulnerable and least likely to be employed even under the best of economic times, to be the ones to "absorb" the reduction?

Answer: In order to reduce the rising national deficit, most programs have been recommended for decreased funding. The disabled population is not being singled out to "absorb" the reduction. Steps that may reduce negative impact on disabled persons include the following: initiating the order of selection criterion in the Rehabilitation Act, which requires services to be delivered to the severely disabled on a priority basis; and greater use of similar benefits from private and other public sources which is expected to permit each dollar appropriated in the rehabilitation program to stretch further, and to ensure that the most needy of the disabled population continue to receive services. It is also expected of State rehabilitation agencies that they function in the most cost-efficient manner possible to offset the reduced amount of Basic State Grants funds available to them.

Question: If your agency is being asked to take its fair share of reductions in Federal assistance and "tighten its belt," aren't we really talking about the disabled population "tightening their belts"? I am concerned, and I think you should be too, about what to say to the disabled, some of whom don't even "have belts to tighten." How does the proposed rescission reflect the Administration's espoused commitment to the "truly needy"?

Answer: Persons who are both severely disabled and poor are clearly "needy". The proposed rescission is related to the Administration's economic recovery efforts. Every effort will be made to reduce the impact of these budget reductions on severely disabled clients.

Question: How do you see the impact of the proposed rescission as carrying out the mandates of the law which you have the duty to administer?

Answer: We will continue to carry out our responsibilities under the law conscientiously and fairly. The rescission request addresses the level of Federal funding for the program. Whether or not the rescission is enacted, we will be working with the States to assist them in assuring that the severely disabled are served first, in identifying other sources of funds, improving management and program practices to maximize available dollars and sharing new or innovative approaches to the delivery of vocational rehabilitation services.

COST OF REHABILITATING VR CLIENTS

Question: What is the average cost of rehabilitating a severely handicapped individual? What is the cost of rehabilitating a non-severely handicapped individual? Do you maintain figures as to what percentage of the severely handicapped are mentally retarded? Please submit these figures to the record.

Answer: The information is submitted for the record.

Average Cost of Rehabilitation

	1981	1982	1983
Severely Disabled	$4,370	$4,496	$4,842
Nonseverely Disabled	2,913	2,997	3,228

Percentage of Severely Handicaped Who Are Mentally Retarded

In fiscal year 1980, the mentally retarded accounted for 5.5 percent of the severely disabled and 7.6 percent of the non-severely disabled who were rehabilitated.

1983 BUDGET ESTIMATES

Question: Why is a 33 percent reduction in Federal funding from the present level proposed for fiscal year 1983 for rehabilitation services?

Answer: The President is dedicated to continuing to reduce the Federal deficit through reductions in Government spending. The reduction proposed for fiscal year 1983 is related to the Administration's economic recovery efforts.

Question: How many disabled persons will not be serves as a result of the proposed reduction in 1983?

Answer: As a result of the proposed funding for fiscal year 1983, it is estimated that 353,000 fewer persons will be served that year compared to the number estimated to be served in fiscal year 1982 at the rescission funding level.

Question: How many disabled persons will not be rehabilitated as a result of the proposed reduction in 1983?

Answer: It is estimated that 64,000 fewer persons will be rehabilitated.

Question: This program has been proven to be a cost-effective one and I don't understand what is to be gained by cutting by 33 percent a program which reduces dependency. What is the current cost/benefit ratio for persons rehabilitated?

Answer: The last year for which a benefit/cost ratio was projected from actual cost data is fiscal year 1980. For that year, the benefit/cost ratio was $10.40 to $1.00. This means that the projected improvement in lifetime earnings of persons rehabilitated that year was $10.40 for every dollar spent on rehabilitation services for all persons whose cases were closed that year.

With regard to benefit to governments, we estimate that for persons rehabilitated in fiscal year 1980, the combination of increased income, payroll and sales tax payments, and reduced public support totaled $280.4 million in the first year after rehabilitation.

Question: With the proposed reduction in Federal funding in 1983, won't the fewer persons rehabilitated affect this ratio?

Answer: The benefit/cost ratio would be affected to some degree. However, some of the reduction in Federal funds would be offset by funding from private sources, self-help ventures and increased State funding.

Question: If the proposed budget were accepted in 1983, what would be the cost/benefit ratio?

Answer: For the group of persons to be rehabilitated in fiscal year 1983, we project a comparably-derived benefit/cost ratio of $8.30 to $1.00. We project a first-year benefit to governments of $153 million.

Question: Does the proposed reduction in fiscal year 1983 reflect some arbitrary figure? On what basis and with what data did the Administration arrive at a 33 percent reduction?

Answer: The reductions reflect our attempt to develop a budget that meets the needs of the recipients of the program and the need for fiscal contraint during this period of economic recovery.

Question: What other agencies, consumer groups, and service providers were consulted on the budget?

Answer: The development of the budget did not involve input from other agencies or groups.

Question: Was each State rehabilitation agency contacted as to the impact on their rehabilitation services?

Answer: Under the current budgetary process, input is not solicited from outside agencies, organizations or groups in formulating the budget year estimates.

Question: What role did the National Council on the Handicapped play in preparing this budget?

Answer: At the time the budget was formulated, the Council was not consulted.

REHABILITATION RECREATION PROJECTS

Question: In the Appropriations Committee Report accompanying the regular fiscal year 1982 Labor HHS-Education Bill, $2 million was set aside for special recreation programs authorized under section 316 of the Rehabilitation Act. Why are you suggesting that States can more appropriately conduct special recreation programs, which frequently involve single projects serving clientele from many States?

Answer: The overwhelming majority of the section 316 projects are community-based and focus on making recreational activities available to handicapped individuals who reside in a limited geographical area such as a specific city or a single county. Since the projects assisted under this program are relatively narrow in geographical scope and generally do not have a significant multi-State impact, it is our position that States could more appropriately provide program leadership and financial support for special recreational service activities designed for handicapped persons. Many county governments have secured funds for special recreation programs for disabled persons through park systems.

HELEN KELLER CENTER

Question: How much do you plan to earmark for the Helen Keller Deaf-Blind Center in fiscal year 1983?

Answer: Although no final decisions have been made on the use of Special Purpose Funds, we expect to continue funding for the Helen Keller Center.

Question: How can the Committee judge the merits of your budget proposal, if you can't tell us your specific spending plans?

Answer: Our budget proposal was prepared to provide flexibility in meeting the needs of the handicapped. Legislation was not submitted in time to allow us to be more specific about our budget proposals.

Question: When do you expect to be able to identify exactly how much will be spent for each component of your $43,780,000 Special Purpose Fund request, such as the Helen Keller Center?

Answer: We will be able to provide an estimate of the distribution of the $43,780,000 requested in fiscal year 1983 as soon as the proposed legislation is finalized.

INDIAN VOCATIONAL REHABILITATION

Question: The fiscal year 1982 Continuing Resolution specifically earmarked $650,000 for Navajo Indian vocational rehabilitation services. How much do you estimate will be set aside in fiscal year 1983 to continue the Navajo Vocational Rehabilitation Project, in the absence of specific Bill language earmarking funding?

Answer: Congressional intent, as reflected in section 130 of the Act, is that each American Indian tribal unit have the opportunity to compete for available Federal grant funds in order to develop culturally relevant programs. There are a number of tribes in addition to the Navajo Nation, which have indicated an interest in establishing tribal rehabilitation programs for their handicapped members. However, in 1981 and 1982, appropriated funds were earmarked for the Navajo Tribal Council. If funds are appropriated for section 130 in 1983 and appropriation language does not specifically earmark funds for the Navajo Vocational Rehabilitation Project, the funds will become available for competition by all tribal units throughout the country.

REPORTING REQUIREMENTS

Question: As reporting requirements on the States are reduced, is there a danger that the Congress and the Administration will receive insufficient program data with which to evaluate the impact of the services?

Answer: Under the revised reporting requirements, we will continue to receive sufficient program data to evaluate the impact of services. Information relative to the immediate impact of services provided to major groups of handicapped individuals, as well as other essential program data elements -- earnings and work status, cost and types of services, time spent in the rehabilitation process, etcetera -- have been retained in the revised reporting system. The use of these new reporting procedures will result in a 72 percent reduction in paperwork requirements; from 524,000 respondent burden hours under the old system to 144,000 hours under the revised requirements.

OFFSETTING INFLATION IN REHABILITATION PROGRAMS

Question: As the purchasing power of rehabilitation funding is reduced through inflation, what steps are being taken to maintain services to the severely handicapped?

Answer: The level of services for severely handicapped persons can be maintained under order of selection procedures, through increased efforts to utilize similar benefits and the resources of other community programs, the imposition of needs tests so that clients who can afford to contribute will pay part or all of the cost of services deemed necessary under a rehabilitation plan, and general agency cost reduction programs.

Question: As the purchasing power of rehabilitation funding decreases, are administrative expenses being reduced so that case service levels can be optimized?

Answer: Not only pure administrative costs, but also supplemental, capacity building, personnel training, and research and evaluation functions are being cut by the States in an effort to optimize direct services to individuals. Under the proposed rescission it is estimated by the Council of State Administrators of Vocational Rehabilitation that State rehabilitation service delivery staff will be reduced 10.55 percent.

CARDIAC REHABILITATION RESEARCH

Question: Haven't the major gains in cardiac rehabilitation been as a result of research produced by the National Institute of Handicapped Research particularly through a number of its research and training centers?

Answer: Research conducted at research and training centers and through discrete research and demonstration project grants supported by the Institute has produced significant new knowledge in cardiac rehabilitation. The emphasis of this cardiac research has been directed to the value of exercise in rehabilitation, measuring physical and clinical factors for early ambulation and exercise programs, and the psychosocial adjustment of heart disease patients. At present, two research and training centers have core research areas in cardiac rehabilitation: New York University Medical Center and the University of Colorado. Research and demonstration work continues at Stanford University involving occupational work assessment.

RESEARCH IN LOW BACK PAIN

Question: Isn't there major research going on in a number of the medical rehabilitation research and training centers dealing with the management of severe and chronic pain which enables people with back pain to return to work and stay on the job? Can you tell us more about that kind of research?

Answer: There are two substantive research programs in the area of low back pain and one pilot study underway. These programs are being conducted at the Rehabilitation Engineering Center at the University of Iowa, the Research and Training Centers at the University of Washington and Emory University.

The University of Washington has developed an entirely new approach to chronic pain based upon behavorial science with successful application of the techniques on persons with chronic low back pain.

At the University of Iowa, research efforts concentrate on four main areas of low back pain rehabilitation: the development of methods to measure intervertebral disc instability; the development of methods to objectively measure clinical parameters of low back dysfunction; the clinical rehabilitation of low back pain associated with disc instability; and the determination of prevalence rates of low back disorders.

The Emory University Research and Training Center is undertaking a pilot study on the application of bio-feedback for retaining para-spinal musculature of chronic low back pain cases who have not responded to other therapy approaches. Fourteen clinics have incorporated this technique in treating low back pain patients.

NUMBER OF NEW PROJECTS

Question: How many new projects will NIHR be able to support in each of fiscal years 1982 and 1983?

Answer: In fiscal year 1982, the National Institute of Handicapped Research will support approximately 32 new projects and in fiscal year 1983 there will be approximately 66 new project awards.

REHABILITATION NEEDS IN THE PACIFIC BASIN

The Committee has been concerned for some time that the National Institute of Handicapped Research provide a high priority under its research and training authority for the truly unique rehabilitation needs of the residents of the Pacific Basin. The Committee was most pleased to learn that during the past year the Institute has initiated one related program for this geographical region, in orthotics.

Question: Accordingly, please tell the Committee your plans for continued efforts on behalf of the residents of the Pacific Basin during fiscal year 1983.

Answer: In its list of proposed priorities for fiscal year 1982, the Institute included a provision for a research and training center to address the unique rehabilitation needs of the Pacific Basin. Currently, it is not known if there will be funds available for a grant competition for this purpose in fiscal year 1982. If there is not, the Institute intends to include the Pacific Basin initiative in its published priorities for fiscal year 1983.

RESEARCH ON CHILDREN

Question: Have you begun any major initiatives in the area of research regarding children including research dealing with comprehensive medical and educational approaches to the development of severely disabled children?

Answer: At present the National Institute of Handicapped Research is not supporting research dealing with comprehensive medical and educational approaches to the development of severely disabled children. However, the Institute does include this type of research activity in its long-range plan.

COST OF NEW RESEARCH PROJECTS

Question: How much would it cost to begin approximately 50 new research projects in FY 1983?

Answer: To initiate about 50 new projects, it would cost approximately $15 million.

RESEARCH TRAINING

Question: Is there a research training program which has been established by NIHR?

Answer: NIHR has the legislative authority to establish and maintain fellowships to procure the assistance of highly qualified individuals both from the United States and from foreign countries. Regulations have been published which would allow for such a program. However, due to other budget priorities, this program has not yet been funded.

Question: Couldn't you establish a research training program that would provide stipends for physicians and other scientists and get it started for as little as $300,000 to $500,000?

Answer: The Institute is currently formulating a detailed management strategy for establishing a fellowship program. This strategy will specify the particular professional specialities needed, optimal placement sites, and the amount of resources required for each fellowship. A fellowship program could be started with $300,000 to $500,000.

RESEARCH CENTERS

Question: Most of the funding for the National Institute of Handicapped Research is earmarked for the Rehabilitation Research and Training Centers and the Rehabilitation Engineering Research Centers. Has the long-term investment in these centers been evaluated to determine whether such investment should continue?

Answer: Both the research and training centers and the rehabilitation engineering centers have undergone comprehensive evaluations by outside contractors which have stated that these systems have been of substantial benefit to the improvement of rehabilitation practice and should be continued. In addition, each of the centers is subjected to a thorough review each year by the Institute's staff who, upon occasion, are accompanied on site visits by representatives from the Interagency Committee on Handicapped Research and outside experts.

Although there have been some deficiencies identified through these reviews, appropriate adjustments to the problems identified have been addressed and generally corrected. It is anticipated that the evaluation process will be further strengthened in the future.

FUNDING PRIORITIES

Question: Can you tell us now your funding priorities for research activities, especially in view of your proposed $2 million cut in fiscal 1983 appropriations?

Answer: The proposed priorities for fiscal year 1983 are now in the departmental clearance process and should soon be submitted to OMB and then published in the Federal Register. This listing is a compilation of possible research topic areas which the Institute believes will more carefully target research to national needs.

ACHIEVEMENTS

Question: What have been the major achievements of the National Institute of Handicapped Research?

Answer: At any one time, the Institute sponsors over 400 projects through its various research programs. Thus the following achievements reflect only a small sample of the results of this research:

- ° Development of cost-effective ways of improving general work skills of severely retarded adults sufficiently so that they can be enrolled in regular sheltered work programs.
- ° Development of bio-feedback techniques to control muscle contractures in stroke patients in whom control was not thought possible through other therapeutic modalities.
- ° Development and implementation of a comprehensive rehabilitation program for elderly persons with heart disease.
- ° Development of bio-feedback techniques to inhibit muscle spasms in spinal cord injured persons so that they no longer find themselves in occasional vise-like postures which prevent them from moving.
- ° Development of an entirely new approach to chronic pain based on the behavorial sciences.
- ° Development and implementation of the New England Regional Pediatric Trauma Institute--a first of its kind in the Nation.
- ° Development of innovative service delivery systems and concepts for placement of severely disabled persons into jobs.
- ° Development of the Preliminary Diagnostic Questionnaire which is currently being installed in State agencies and private rehabilitation facilities.
- ° Establishment of an entirely new innovation in the vocational field of a blind technician's training/research program, which acts both as a vehicle for education of blind persons interested in working in technology and as a research tool in the development of new devices for blind employment and the refinement of teaching procedures to use with blind trainees.
- ° Development of a device, Universal Tone Indexer, used to superimpose a normally inaudible tone into material which is being tape recorded.
- ° Development of a "talking signs" system which is achieved by placing a miniature, low-powered infrared light transmitter at locations where written signs normally appear, both indoors and out.
- ° Development of a controls evaluator designed to stimulate the many different situations that require control of rehabilitation engineering systems and a control simulator to simulate outputs of systems used for mobility, communication and environmental control.
- ° Development and evaluation of a psychodynamic-rehabilitation service support system model to maintain job placement for the ex-mentally ill.

IMPROVEMENTS IN ADMINISTRATION

Question: What improvements have been made by the National Institute of Handicapped Research in the administration of research programs that could not have been made by the Rehabilitation Services Administration?

Answer: The research programs conducted under the Rehabilitation Services Administration were focused on working age individuals primarily in the area of vocational rehabilitation. The 1978 Amendments to the Rehabilitation Act which created the National Institute of Handicapped Research significantly broadened the scope of research activities to better meet the needs of handicapped people. The Institute's mandates permit research for persons of of all ages from the very young child to the disabled elderly and covering all areas of daily living. The establishment of an Interagency Committee on Handicapped Research, chaired by the Institute's Director, makes it possible to coordinate overall handicapped research in the Federal Government. Through this Committee, the Institute has made efforts to increase cooperation among agencies; to co-fund projects; and to seek to avoid duplication of effort and resources.

IMPROVEMENT IN LEADERSHIP AND COORDINATION

Question: What steps have been taken to improve the leadership and coordination functions of the National Institute of Handicapped Research?

Answer: The Institute has an ongoing working relationship with the National Council on the Handicapped. Through this relationship, the Institute serves a coordinative and leadership role by: synthesizing ideas for priorities; sharing information on ongoing activities and plans; and providing information for use by the Council in articulating general research policies for the Federal Government and public focus activities.

One of the most important authorizations in the 1978 Amendments to the Rehabilitation Act, was the establishment of an Interagency Committee on Handicapped Research which has the responsibility for promoting coordination and cooperation in rehabilitation research conducted throughout the Federal Government. The Institute's Director is designated as chairperson of this Committee. Representatives from various departments and agencies responsible for rehabilitation research, information dissemination, and collection of statistical and demographic data on handicapped persons have been identified and grouped by area of expertise in subcommittees.

As an example of coordination, the Subcommittee on Technology has identified a number of cross-cutting rehabilitation research projects which could be co-funded by two or more agencies that have mutual interest in the research areas of concern. Specifically, joint projects in the area of technology have generated special interest by a number of agencies with respect to communication devices, prosthetics, and improved wheelchair design.

The Institute is currently involved in a number of jointly funded research and training projects which involve coordinated planning and resource use. The Institute is also taking a lead role in an Office of Special Education and Rehabilitative Services participatory planning activity. One feature of the planned conferences will be workshops on the creation of needed, innovative linkages between educational, medical, rehabilitation, social services, and income support agencies and on initiating the research necessary to support these innovations.

DISSEMINATION AND UTILIZATION

Question: What initiatives are underway to increase the dissemination and utilization of rehabilitation research results?

Answer: The National Institute's initiatives to increase the dissemination and utilization of rehabilitation research results will consist of maintaining and strengthening ongoing activities, as well as expanding these activities to include state-of-the-art monographs and rehabilitation utilization networks to diffuse exemplary practices.

Ongoing initiatives include continued support for such projects as the National Rehabilitation Information Center located at the Catholic University in Washington, D. C.; the publication and distribution of "Rehab Briefs" to some 30,000 users; the exchange of experts and information on vocational rehabilitation with overseas countries through a grant to the World Rehab Fund; the University Center for International Rehabilitation, a knowledge and training center at Michigan State University; and the initiation of the research utilization phase of a management control project which has been successful in reducing the paperwork burden imposed on vocational rehabilitation counselors and has developed standards for counselor performance.

State-of-the-art monographs will be produced on: Placement of Disabled Workers in Competitive Employment; Early Intervention Models for Use with Handicapped children up to the Age of Six; Rehabilitation of Severe Head Trauma Patients; and Rehabilitation of Adults with Learning Disabilities.

The Rehabilitation Utilization Network is a system which will promote the use of research findings as well as field validated exmplary practices, the intent being to improve service delivery to disabled persons, particularly those serviced by rehabilitation facilities.

In addition to these activities are the continued conduct of training programs and publication and distribution of research results by the Institute's research and training centers and rehabilitation engineering centers.

NATIONAL COUNCIL ON THE HANDICAPPED

Question: What problems has the National Council on the Handicapped encountered in attempting to implement its mandate to establish general policies for the National Institute of Handicapped Research?

Answer: The Council unanimously approved and issued its "Statement of Policies Governing the National Institute of Handicapped Research" without encountering any specific problems in its preparation. The Council feels, however, that there is still some need for clarification of the term "general policies."

Question: What advice has the Council offered the Commissioner of the Rehabilitation Services Administration and the Director of the National Institute of Handicapped Research regarding the development of programs to be carried out under the Rehabilitation Act?

Answer: The Council advised the Commissioner of the Rehabilitation Services Administration on the results of its public forum, "The Place of Disabled Persons in our Economy." The Council relayed its concerns to the Commissioner that the cost-benefits of vocational rehabilitation are not as well understood as they might be. Also, the Council advised the Commissioner not to replace the R-300 form which is a data gathering instrument used for reporting by State agencies. A new form is currently under review by the Department of Education which will maintain a data reporting system and reduce the data gathering burden on the States.

The Council issued its "Policies Governing the National Institute of Handicapped Research" in accordance with its mandate to establish general policies for and review of the operation of the Institute. This document covers policies which describe the primary thrust of Institute support research; policies which relate to program resources; and policies regarding allocations of fiscal resources. This document has been presented to the National Institute of Handicapped Research for use in planning its current and future research activities.

SUBCOMMITTEE RECESS

Senator **Weicker**. The subcommittee will now recess subject to the call of the Chair. Thank you, Mrs. Tufts.

Mrs. **Tufts**. Thank you very much.

[Whereupon, at 3:20 p.m., Tuesday, March 16, the subcommittee was recessed, to reconvene at 10 a.m., March 17.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

TUESDAY, MARCH 23, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 3 p.m. in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Arlen Specter presiding.

Present: Senator Specter.

DEPARTMENT OF EDUCATION

RESEARCH AND STATISTICS

STATEMENT OF DONALD J. SENESE, ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

ACCOMPANIED BY:
- EDWARD A. CURRAN, DIRECTOR, NATIONAL INSTITUTE OF EDUCATION
- MARIE D. ELDRIDGE, ADMINISTRATOR, NATIONAL CENTER FOR EDUCATION STATISTICS
- SALLY H. CHRISTENSEN, DIRECTOR, OFFICE OF BUDGET SYSTEMS AND SERVICES

SUBCOMMITTEE PROCEDURE

Senator SPECTER. Good afternoon, ladies and gentlemen.

We will now begin the portion of the hearing of the subcommittee on educational research and statistics, and one postsecondary program.

Our first witness will be Dr. Donald Senese, Assistant Secretary for Educational Research and Improvement.

Welcome, Dr. Senese. If you would introduce your colleagues, we would appreciate it.

PREPARED STATEMENT

Your full statement will be made a part of the record, and we would appreciate it if you would summarize, leaving the maximum time possible for questions.

Dr. SENESE. Thank you.

[The statement follows:]

STATEMENT OF DONALD J. SENESE

I welcome this opportunity to provide the Committee with an overview of the budget request for research and statistics. The 1983 request involves a total budget of $62,392,000, an increase of $414,000 over the 1982 level.

The budget for research and statistics represents a small but significant investment of Federal resources in education. Of the total Foundation budget for fiscal year 1983, $74,292,000, or less than one percent is requested for Research, Statistics and Improvement activities, including the Fund for the Improvement of Postsecondary Education. Providing limited support at the national level is one of the most effective ways for the Federal Government to assist State and local governments in improving the quality of education. It is sound policy to concentrate limited resources at the Federal level, to provide a means for sharing experiences across States, and to insure that major gaps are not ignored.

As you know, the Foundation for Education Assistance specifically identifies research and statistics as important functions to be maintained as a direct Federal role. The Federal Government will continue to address longterm, complex national and regional problems which neither States nor local governments can address adequately. Moreover, the Federal Government will continue to recognize its responsibility to improve the quality and relevance of research and statistical data, and to share research and evaluation findings with State and local officials, practitioners and the public, especially parents.

The budget request for research and statistics attests to the recognition of a longstanding Federal commitment to collect and analyze information and conduct research studies. I share this commitment. I also recognize our responsibility to the Congress and to the American people to ensure that these activities are carried out systematically and objectively and shared with all who need the knowledge gained from such work.

Let me now briefly identify the priorities influencing our request and a few highlights of the budget for research and statistics.

Program Priorities

The budget requests for activities currently authorized by the National Institute of Education (NIE) and National Center for Education Statistics (NCES) reflect three major program priorities. These include: (1) research and statistics to improve the quality of education at all levels and in various settings both formal and informal; (2) assistance activities to help State, local and private school officials make better use of available resources; and (3) special studies and analyses that provide the Administration, the Congress and the public with a better understanding of problems and barriers that inhibit increased educational achievement. As you know, these priorities are drawn from the mandates of existing Congressional authorizations. They are also influenced by the needs of parents and children who are not being served adequately by our educational institutions, and by the general public which no longer accepts mediocrity and declining educational excellence.

Budget Highlights

For research and development, we are requesting $53,645,000 which essentially supports the continuing commitments of NIE's three program components: (1) the teaching and learning program, which supports studies aimed at understanding the teaching and learning process, particularly in the areas of reading, writing and mathematics; (2) the dissemination and improvement of educational practice that support a wide range of activities to ensure the flow of information from researcher to practitioner; and (3) educational policy and organization studies that improve our understanding of the institutional, legal and financial policies that directly influence the operation of all educational institutions. In fiscal year 1983, we will continue to fund the research centers and regional laboratories, maintain support for the National Assessment for Educational Progress (NAEP) and the educational resource information centers (ERIC) that analyze, synthesize and share the large volume of educational information that originates and accumulates all over the Nation.

To maintain the basic core of educational statistics for reporting on the condition of education, we are requesting $8,747,000, an increase of $158,000 over the fiscal year 1982 level. The collection of statistics by the Center continues a Federal responsibility that began as early as 1867.

The fiscal year 1983 budget request will provide the resources to maintain data bases on public and private educational institutions at all levels. The information is essential for valuable reports, such as the Condition of Education, the Digest of Education Statistics, and Projections of Education Statistics.

In addition, the budget request includes:

- a second follow-up survey to the High School and Beyond study to provide policymakers with information on the transition of students from high schools to careers as adults;
- completion of the school district mapping project which integrates census data and school district boundaries to provide important information to States and localities;
- assistance to States through nationwide networks which promote communication and exchange of information with the elementary/secondary and postsecondary education communities; and
- a number of special surveys on policy-related issues, such as technology, private schools and teacher education.

Conclusion

Let me conclude my remarks by emphasizing the importance of the activites that were initiated by the National Institute of Education and the National Center for Education Statistics. Clearly it is the intent of Congress to provide State and local educational agencies with unbiased and scientifically gathered information--information to help understand problems and improve the quality of education in this Nation. We recognize this responsibility, and we hope the Congress provides us with the resources to carry out this important task.

Thank you for giving me the opportunity to make this presentation. My colleagues, Mrs. Marie Eldridge, Administrator of NCES and Mr. Edward Curran, Director of NIE and I will be pleased to answer any specific questions you may have at this time.

BIOGRAPHICAL SKETCH

Name : Donald J. Senese

Position : Assistant Secretary
Educational Research and Improvement

Birthplace and Date : Chicago, Illinois - April 6, 1942

Education : B.S., Loyola University of Chicago, 1964
M.A., University of South Carolina, 1966
Ph.D., University of South Carolina, 1970

Experience

8/82 - Present : Assistant Secretary of Educational Research and Improvement
U.S. Department of Education

5/82 - 8/82 : Consultant, U.S. Department of Education

1976 - 4/1981 : Senior Research Associate, House
Republican Study Committee, U.S. House of Representatives

1973 - 1976 : Chief Legislative Assistant, Representative Bill Archer of Texas

1973 : Legislative Assistant and Newsletter
Editor, Senator William L. Scott of Virginia

1969 - 1972 : Associate Professor of History
(Radford University; Radford, Virginia)

Additional Experience : Member of the General Administration Board of the U.S. Department of Agriculture Graduate School (1975-1980; 1981-)

*Elected to the National Board of Directors and to the Executive Committee of the University Professors for Academic Order

*Member of the Board of Advisors of the Foundation the Advancement of the Public Trust, Inc.

Selected by the Alexandria City Council to serve on the Alexandria Historical Records Commission (March 1979-1981; Reappointed 1981-)

: Served on Research Staff for Subcommittee on Human Resources for the 1980 Committee on Resolutions

Served as Government Fellow in program on health issues

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* Resigned upon U.S. Senate Confirmation

Served on Transition Task Force for U.S. Education Department and for the U.S. Department of Health and Human Services for the President-Elect.

Publication :

Numerous articles and book reviews in publications such as: *Asia Mail*; *The Classical Outlook*; *Commonsense*, *Family Protection Report*; *Free Asia Report*; *History Today*, *The Freeman*; *Human Events*; *ISI Campus Report*; *The Journal of Social and Political Studies*, *Modern Age*; *New Guard*, *National Review*; *Policy Review*; *Private Practice*; *South Carolina Law Review*; *The State Factor*; *Universitas*, and *The University Bookman*.

Book Chapters

"The Historical and Cultural Roots of Modern China," in *China: The Turning Point* (1976).

"Korea: Its Role in World History," in *Korea in The World Today* (1976).

"Reassessments for Taiwan, Japan, and South Korea: U.S. Reliability in Asia," *About Face*: *The China Decision and Its Consequences* (1979).

Books

Indexing the Inflationary Impact of Taxes: *The Necessary Economic Reform*, Washington, D. C.: The Heritage Foundation, 1978.

Modernizing the Chinese Dragon: *The Prospective Impact of Western Aid Technology on Mainland China*, Washington, D.C.: The Council on American Affairs, 1980.

(This book received a Freedoms Foundation Award from the Freedoms Foundation at Valley Forge, Pennsylvania.)

Ideas Confront Reality: An Analysis of Critical Issues in the Reagan Era (editor), Washington, D.C.: U.S. Department of Agriculture Graduate School Press, 1981.

INTRODUCTION OF ASSOCIATES

Dr. SENESE. I am being accompanied, on my right by Edward A. Curran, Director, National Institute of Education; on my left, Marie D. Eldridge, Administrator, National Center for Education Statistics; and on the far left, by Sally Christensen, Director, Budget Systems and Services, Office of Planning, Budget, and Evaluation.

I would like to give a brief summary of the highlights of the research and statistics budget request at this time.

The 1983 budget includes a total of $62 million, an increase of nearly $500,000 over the 1982 level. As a part of an education budget of almost $10 billion, this amount represents less than 1 percent of the total budget.

The funds for research and related activities represent a very important and significant portion of the education budget.

Secretary Bell, when he appeared before the House committee on March 2, 1982, highlighted the continuing role of the Federal Government in the area of research, statistics, and information sharing.

As far as our priorities for 1983, they reflect Secretary Bell's commitments to maintain and expand Federal responsibility to collect and analyze information systematically, and to share the results of these findings with State and local officials, and with the public.

Our priorities include a set of activities to improve the quality of education at all levels in all settings, both formal and informal.

A second priority is targeted to assist State and local education officials to provide them with better and more accurate information about programs and practices that work.

And, third, we intend to continue support for those research projects and surveys that provide the Congress and other policymaking officials with a better understanding of broad national trends in serious national and international educational problems.

As far as the budget highlights, for research and development activities, we are requesting $53,645,000. These funds will be used to continue the core research and development projects currently authorized by the National Institute of Education authorization.

To maintain the basic core of the educational statistics program, we are requesting $8,747,000.

The collection and analysis of statistical data on the condition of education is a longstanding Federal role. Major projects and programs included in the 1983 budget request include 9 national research centers and 8 regional laboratories; the national assessment of educational progress; 16 educational resource information centers; and national statistical studies aimed at understanding national educational trends and changes.

At this time I would like to conclude my opening remarks to permit time for any particular questions you may have for me or my colleagues.

Senator SPECTER. Have you concluded?

Dr. SENESE. Yes, sir, I have.

NIE'S RESEARCH PRIORITIES

Senator SPECTER. The committee understands that NIE is considering new research priorities that do not appear on the surface to have much to do with the agency's congressionally mandated priorities.

Specifically, we are told that possible research topics could include investigations into areas such as consequences of vouchers and tuition tax credits, the effects on learning of the schoolchild's mother holding a full-time job; effects on school discipline; the Federal court decisions; and civil rights regulations; the direct and indirect effects of teaching and learning; of numerical race-gender quotas; and who in the long run is richer, happier, wiser and more virtuous: The graduate of a highly structured traditional college program, or the graduate of a freewheeling so-called relevant college program?

Are these subjects in fact being studied?

Dr. SENESE. Mr. Chairman, I would like to call on the Director of NIE to respond to that, since this is part of their efforts in planning guidelines.

Mr. CURRAN. Thank you, Senator.

I think I would like to preface my answer by saying that the congressionally mandated priorities of the National Institute of Education will still be the primary priorities of this phase of the Institute's work.

I hold very dear the text of the mandate which states that through the National Institute of Education we shall provide for every American an equal opportunity for education of a high quality, regardless of race, religion, color, sex, national origin, handicap, or social class.

I am also mindful of the additional statutory mandates, which urge us to do all we can to improve the quality of education that were added to the NIE priorities during the authorization of the National Institute of Education in 1980: An emphasis on technology, emphasis on the adult learner, particularly that learner over 45 years of age; emphasis on adolescent learners; emphasis on international studies, particularly as it applies to the study of foreign languages.

The various topics that you read from your question were, in fact, taken not from a list of the priorities but from a list of what I would consider a very early grouping of topics that might be under consideration in the planning process as the program evolves.

Senator SPECTER. They are listed in a publication, Education Week, February 10, 1982, under the heading of, "NIE To Focus on Excellence and Freedom."

Mr. CURRAN. That's right. The article further explains what I call the thematic priorities, which are excellence and freedom.

There will be many questions that will be in the public debate during the eighties. Education Week combines two documents, one that lists formal questions that are not a part of those planning guidelines.

Senator SPECTER. But all of those items that I asked you about are possible research topics?

Mr. CURRAN. All of those items—well, let me say this, if I might read to you from the planning guidelines.

Senator SPECTER. Well, wait just a minute.

We've heard a preface, and I've asked the question again. Would you just give me an answer?

Mr. CURRAN. Well, I can't say that we will not do research on all of those items that are listed in Education Week, but I can say that all of those items listed in Education Week are not in fact on the list of planning guidelines.

When I presented the list of planning guidelines to my associate directors it was presented as a tool—as an aid in the evolution of research programs. At the end of my instructions to the associate directors, I indicated that an overall focus should be on the question: "Would such strategies in fact be likely to advance the goal of equal opportunity for education of high quality? If so, how so?"

Senator SPECTER. Do you plan to have a research topic on the consequences of vouchers and tuition tax credits?

Mr. CURRAN. At this point we are in the middle of our planning process; those decisions are not yet made.

NIE'S RESEARCH PRIORITIES

Senator SPECTER. So you have no plan at the moment to have a study on consequences of vouchers and tuition tax credits?

Mr. CURRAN. There is no plan at the moment.

That is not to say that such a study would not become a part of our plans later in the process.

We have actually very little room for new initiatives in fiscal year 1983 because 94 percent of our budget for 1983 is for continuations of activities begun in prior years.

Senator SPECTER. Do you have a plan to study the effects on learning of a schoolchild's mother holding a full-time job?

Mr. CURRAN. We have no specific plans at this point. We are in the process of working with our program associate directors, formulating plans for the future.

These were questions that we asked them: Are these topics that will become central, and will be tied into the Institute's authorized mandate as we study the education issues of the eighties?

Senator SPECTER. The bells are now ringing which signifies 7½ minutes left for this vote; and we will recess very briefly, and I shall return.

[A brief recess was taken.]

Senator SPECTER. We just finished two votes in the Senate, which occasioned the protracted delay.

And we were on the question about the varieties of studies you were likely to undertake. You had testified that you haven't made up your mind, the agency has not, as to where it is going to go.

How does NIE decide on its research priorities?

Mr. CURRAN. Well, let me say, Senator, that process is one which involves ideas. Basically those guidelines deal with the plans primarily for fiscal year 1984.

Once the associate directors agree on issues or research topics to be studied, then they would be looked at by the National Council on Educational Research.

I would just like to reassure you, Senator Specter, I am aware of the mandate; and in no way do we intend to take up issues that would be contrary to those mandates.

That is not to say that if there are topics that seem to be the center of debate in the eighties and nineties we shouldn't evaluate whether or not these are researchable, whether we can help policymakers in Congress and the States.

NIE'S BUDGET

Senator SPECTER. The Institute's budget was reduced from $65 million in fiscal year 1981 to $53 million in fiscal year 1982, and now you are requesting virtually level-funding at $53 million for fiscal year 1983.

What impact has the reduction in funding had on the Institute's staff and the quality of its program?

Mr. CURRAN. At this point, I'm not in a position to give you an evaluation of the impact on the quality of the program of NIE's reduced funds. We have been subjected to the same freeze that the Department has, and we have, through natural attrition, reduced our staff for the lower budget.

Senator SPECTER. Are you getting the job done?

Mr. CURRAN. At this point, sir, I believe we are.

Senator SPECTER. An increase of $1.5 million is being requested for assisting States and localities which face challenges in such areas as school finance.

Why, in light of the administration's new federalism is this activity considered a national priority worthy of a budget increase?

Mr. CURRAN. One of the areas we might want to pursue would be in assisting the States and localities in their transition to block-grant programs.

State and local officials have indicated that this is an area in which they may need help. So we are asking for about $1 million for that and other activities that will assist State and local governments.

EDUCATIONAL LABORATORIES AND R. & D. CENTERS

Senator SPECTER. The question has been raised about a series of 5-year contracts and grants with institutions which are, as we understand it, in the process of being either terminated or an effort to terminate after 3 years, or perhaps to have an additional fourth year.

What are the underlying facts of those contracts with some 17 institutions?

Mr. CURRAN. We have 17 labs and centers which were begun during the sixties.

Senator SPECTER. Which were begun during the sixties?

Mr. CURRAN. Yes, sir, from 1963 to 1965, I believe.

I think at that time there were more than the current 17 institutions.

Senator SPECTER. Can you speak up, please?

Mr. CURRAN. Not the least of which was the RBS, Research for Better Schools.

Senator SPECTER. Oh?

Mr. CURRAN. The impact on NIE's budget——

Senator SPECTER. And two, I understand, in Senator Hatfield's State of Oregon?

Mr. CURRAN. Yes, sir. And Wisconsin, Missouri, and——

Senator SPECTER. You haven't mentioned any State without Appropriation Committee members yet. [Laughter.]

Mr. CURRAN. No.

I am a little new at this. Maybe I'll——

Senator SPECTER. It doesn't sound like it. [Laughter.]

Mr. CURRAN. For 5 years, starting with 1979 and through proposed fiscal 1983, the budget for the lab and centers has stayed basically level; fiscal year 1979, $29.6 million; in fiscal year 1980, $30.6 million; in fiscal year 1981, $31 million; and in fiscal year 1982 and proposed for fiscal year 1983, about $28.2 million.

The budget for the Institute as a whole has decreased considerably from $80 million in 1979 to a proposed $53.6 million in 1983.

What that has done to us has meant that in terms of——

Senator SPECTER. You have to contract your contracts?

Mr. CURRAN. That's right.

Senator SPECTER. But how can you do it if they are contracts?

Mr. CURRAN. I don't think I understand.

TERMS OF LAB AND CENTER AGREEMENTS

Senator SPECTER. Well, is there a 5-year obligation on the part of the Government?

Mr. CURRAN. We believe that there is a 3-year contractual obligation. We have spent considerable time checking with General Counsel, and with the Secretary; and the opinion is that there is actually a 3-year contractual obligation. The long-term institutional understanding that I think we had prior to my coming aboard was that at the end of that 3-year contract we would rethink the work we have been doing with the labs. That arrangement was made, I would say, in better times in hopes of more dollars in the budget.

What we are doing in order not to take precipitous action and be unfair to the labs and centers, is to give the labs and centers reasonable time to make the transition to open competition. For this reason, we are proposing to provide level funding to the labs and centers in fiscal year 1983 with the idea that we can work out mutually agreeable arrangements so that they, too, can compete for fiscal 1984 funds.

Senator SPECTER. Are you saying that they are not binding 5-year contracts?

Mr. CURRAN. I am told by General Counsel's office that the actual binding, legal, contract arrangement is for 3 years.

Senator SPECTER. Are the 17 parties involved disputing that contention?

Mr. CURRAN. Not to my knowledge.

I am meeting right now with the directors of each of the 17 labs and centers on an individual basis. These meetings started just yesterday. So on the basis of one meeting, I would say that we have begun to work together so that labs and centers and the Institute do not suffer in this.

Senator SPECTER. Are you saying that you dealt with one of the contracting parties, and that contracting party agreed to have——

Mr. CURRAN. I——

Senator SPECTER. Let me finish the question.

And that contracting party agreed that it didn't have a firm contract beyond a 3-year period?

Mr. CURRAN. No; what I am saying is I dealt with one of the contracting labs for that consensus; and that we were open and frank in our discussions and our opinion is that the legal contracts do not extend beyond the 3 years. I did not deal specifically with the question that you stated.

We talked in terms of their presenting to us a proposal for their work for 1983. I did not hear any disagreement.

Senator SPECTER. But you didn't hear any agreement, either?

Mr. CURRAN. Well, I can say it was implied.

Senator SPECTER. I can't hear you.

Mr. CURRAN. I am not sure that I heard agreement. We did not specifically discuss that as an issue.

Senator SPECTER. Have you faced that issue with any of the other 17 contracting parties?

Mr. CURRAN. No, sir, they are all on my calendar for this month.

Senator SPECTER. The staff of the subcommittee has expressed the conclusion to me that they are binding 5-year contracts; however I do not have a document at hand.

But what I would like for you to do, if you would, would be to supply the subcommittee with copies of the documents.

Do you have a written opinion from counsel on it?

Mr. CURRAN. I would be happy to provide that information to the committee. I can——

Senator SPECTER. My question was: Do you have a written opinion?

Mr. CURRAN. I do not have a written opinion with me.

Senator SPECTER. I didn't ask you if you had a written opinion with you.

I want to know if there is a written opinion on the subject?

Mr. CURRAN. Yes, sir, we have a written opinion.

Senator SPECTER. OK, I would like you to provide that for us.

Mr. CURRAN. I will do so.

[The information follows:]

LENGTH OF TERM OF LAB AND CENTER AGREEMENTS

While we would be willing to provide the committee with additional information on our position, the general counsel has advised the Director of the National Institute of Education that it would be inappropriate to submit the internal legal memorandum requested by a member of the committee because of the possibility of litigation on these issues.

ACCOMPLISHMENTS OF LABS AND CENTERS

Senator SPECTER. NIE spends roughly 50 percent of its budget on regional educational laboratories and research centers.

What are some of the major accomplishments of these institutions?

Dr. SENESE. I would like to ask the Director of NIE to answer that.

Mr. CURRAN. Well, a great deal of work is done by these labs and centers and other institutions with which we have relationships, in basic skills—math, in improvement of teaching; institutional financing and governance; in technology; and on other topics that respond to the mandate.

Senator SPECTER. The issue which concerns us is that although it comprises 50 percent of your budget, there appears to be nothing in the materials which you submitted concerning the accomplishments of that aspect of your budget.

Mr. CURRAN. Senator, that would be an oversight. You mean the budget justification?

Senator SPECTER. Yes.

Mr. CURRAN. I would be delighted if you would permit me to submit for the record an overall list of accomplishments of NIE in the last 10 years.

Senator SPECTER. That will be fine. We would be pleased to receive those submissions.

[The information follows:]

THE NATIONAL INSTITUTE OF EDUCATION
A RESOURCE IN EDUCATIONAL RESEARCH AND DEVELOPMENT

NIE's distinctive role, by law, is to support educational research, development and dissemination in order to expand the opportunity for all students to have access to a quality education.

High priority is given to seeing that the best fruits of NIE's research and development programs are useful to people involved in the improvement of education at every level.

NIE has a growing record of success in providing such services as:

ASSISTANCE TO CONGRESS:

- Congressional Testimony

  The Institute is often called upon to provide expert testimony. (For example on the nature of basic skills problems, the meaning of the National Assessment of Educational Progress mathematics results, the policy implications of declining enrollments, and the problems of private and public high-school principals.)

- Compensatory Education (Mandated Study)

  NIE conducted a major study of compensatory education programs which was instrumental in the reauthorization of Title I of the Elementary and Secondary Education Act.

- Vocational Education (Mandated Study)

  NIE managed a study of vocational education which was designed to provide information, data, analyses, and insights that will bear directly upon the reauthorization of Federal vocational education legislation. The final report was submitted to Congress and the President in September, 1981. The findings led to these broad conclusions:

    - the Vocational Education Act of 1963, as amended, attempts to accomplish too much with too few resources
    - there are sometimes mismatches between the ends of Federal policy and the means relied upon to realize them
    - realizing the ends of Federal policy depends heavily upon State and local policies, practices, and resources

- Safe School Study (Mandated Study)

  This comprehensive study now stands as the basic reference for those seeking to understand the problems of violence and vandalism in schools. Currently available are the Executive Summary, a compilation of the substantive findings, the methodology report, and a documentation of the magnetic data tapes. NIE is encouraging the broadest possible secondary analysis of these data which are the most comprehensive to be found anywhere.

ASSISTANCE TO FEDERAL POLICYMAKERS:

o Department of Defense (Navy) - Literacy Training

Because of the successful development of NIE supported programs related to experience-based education, the Department of Defense (Navy) provided NIE with funds to develop a computer-assisted literacy program for Navy recruits. Now being pilot-tested in Orlando, Florida, the early findings have been so encouraging the Navy is considering installing the program in all its major training centers.

o Department of Labor - Career Intern Program

NIE supported the development and evaluation of the Career Intern Program (CIP), an alternative high school for potential school dropouts. Because of the program's effectiveness the Department of Labor has provided funds to NIE to replicate the program in four cities (Detroit, Seattle, Poughkeepsie, and New York City).

o Department of Education - Basic Skills Steering Committee

Institute staff participate on the Department of Education Basic Skills Steering Committee, which is responsible for coordinating basic skills programs. NIE furnishes relevant research material to the committee (e.g., Dialects and Educational Equity, a guide for teachers of children who speak vernacular Black English.)

o Document Design Project - Improvement of Forms

Through the Document Design Project, NIE provided an analysis of the Basic Educational Opportunity Grant form (BEOG) for the Department of Education, which resulted in a revision of the 1980-81 forms and instructions.

o National Science Foundation/NIE Joint Program on Mathematics Education

NIE's research on mathematics learning led to a collaborative effort with the National Science Foundation in a program of development and research on the use of modern information-handling technology in the classroom.

o Bureau of Indian Affairs (BIA) Educational System Study

NIE and BIA jointly funded a study to develop data and trends for policy decisions regarding the equitable funding of the BIA educational system. Using the study's recommendations, NIE and BIA staff produced an implementation plan for portions of (PL 95-561), which took effect in October 1979.

ASSISTANCE TO STATE AND LOCAL POLICYMAKERS:

o Rural Education Policy Study

Education in Rural America: A Reassessment of Conventional Wisdom, was the first major American study of rural educational policy published in over three decades. Selected as one of the eleven "must books" for 1977 by the National School Boards Association, it is now being sold commercially.

NIE received over 20,000 requests for a chapter reprint entitled "Economy, Efficiency and Equality: The Myths of Rural School and District Consolidation." The book is currently being used by students at Harvard, Dartmouth, the University of Vermont, and other colleges and universities. It is used by State legislators (e.g., Iowa, Minnesota, and Vermont) in deliberations about school district reorganization policies and by people in local school districts.

- State Legal Standards for the Provision of Public Education

  This compilation of education laws of the fifty States and the District of Columbia, produced in 1974 and again in 1976, has been made available to governors, attorneys general, State legislative libraries, and law school libraries in every State. NIE has also filled hundreds of requests from teachers, principals, legislators and lawyers.

- State and Local Input into National Policy for Linguistic Minority Students

  This NIE study examined the relationship between Federal bilingual requirements and those of selected States. It has provided the State of Illinois with information that was used to develop a new bilingual policy. Similar contributions are expected to be made in other States involved in the study (e.g., Texas, New York, Massachusetts, Florida and California).

ASSISTANCE TO THE EDUCATION COMMUNITY:

- A recent conference was held by the National Institute of Education to review eight years of research on teaching and determine its importance for the improvement of instructional practice. Researchers, educators, association representatives and journal editors discussed the implications of the research, and the ways in which the findings can be made known to teachers, principals, administrators, teacher educators and policy makers. The conference proceedings indicate the following:

  1. We have made significant inroads in our understanding of effective schools and teaching, primarily reading and math instruction at the elementary school level.
  2. Much of this research already has been used to improve instructional practice by teachers, teacher trainers and local school districts all over the United States, and in other countries.
  3. The research methods which have been used to improve elementary school basic skills instruction now need to be used at the secondary school level, with other subject matter such as writing and science, and with other instructional methods such as the use of technology.

- Research Within Reach

  An NIE-supported series of publications called Research Within Reach makes research findings useful to classroom teachers.

The first publication in the series, Research Within Reach: A Research-Guided Response to Concerns of Reading Educators, released in October 1978, has been disseminated to National, State, and local institutions, agencies, and programs concerned with reading instruction. The International Reading Association is making copies available to its 70,000 members.

A series on elementary school mathematics has been completed. Twenty-one research bulletins dealing with such topics as remediation, diagnosis, problem solving, counting and staff development are presently available. Several of the bulletins have been reprinted in the Journal of the Center for Teaching and Learning of Mathematics.

Work has begun on the next series on oral and written communication and should be available in May 1982.

o The Comprehensive School Mathematics Program

NIE supported the development of the Comprehensive School Mathematics Program (CSMP), a math curriculum designed to increase math skills of students from kindergarten to sixth grade. The kindergarten to third grade component is being used by over 32,000 students. The curriculum for grades four to six is being pilot-tested in eight school districts.

o Social Development of Young Children and Cognitive Development in Young Children

The NIE-supported publications Social Development of Young Children and Cognitive Development in Young Children provide teachers of pre-school and elementary school children with brief summaries of current research in these areas. NIE has distributed over 20,000 copies of these publications which are widely used by elementary school teachers and by teacher training programs.

o Education Satellite Program

The NIE-supported Alaska and Appalachia satellite projects have developed communications satellite systems that deliver educational services to approximately 500,000 people in their schools and communities in isolated rural areas.

The Appalachia network, which covers 13 States, has allowed 20,000 teachers, school administrators, and community members to complete one or more courses and workshops. Over 3,000 will receive graduate credit from the 60 participating colleges and universities.

In Alaska, all 52 school districts, some 200 communities, and approximately 5,000 teachers are receiving educational assistance by satellite.

o Assessment of Testing Instruments for Limited English-Speaking Students

This publication provides teachers and school administrators information on the adequacy of testing instruments available to assess the performance of elementary school students whose first language is Chinese, French, Italian, Navajo, Portuguese, Spanish, or Tagalog.

- Beginning Teacher Evaluation Study

  The Commission for Teacher Preparation and Licensing in California, with NIE support, initiated a comprehensive program of basic research on teaching and learning that has led to improvements in teacher training and to better educational experiences for children. One of the study findings shows a direct correlation between the amount of time teachers allocate to direct instruction in a particular content area and learning in that content area. Results of the study are influencing the training and licensing of teachers in California, and are being disseminated through the National Diffusion Network. School system interest in the study is high.

  In one application of these findings, the Austin, Texas public schools gained $4,000,000 of effective instructional time without additional direct cost, time which had the predicted effect of improving student reading and mathematics achievement.

- National Commission on Working Women

  NIE has supported the National Commission on Working Women (NCWW) in its effort to identify the educational and training needs and opportunities of blue- and pink-collar women. NCWW has held regional dialogues on these issues and has held six State dialogues and a national conference in 1980. It has provided technical assistance to four States, labor leaders and the business and education communities. The results of a national survey of 150,000 working women to determine their education, training and job-related needs has been disseminated to labor unions, corporations, and State officials across the country.

- The Development of Material on Testing for Teachers

  This project, being completed at NIE's Center for Study of Evaluation at UCLA, represents a collaborative effort to train teachers in the uses and abuses of tests. Teacher workshops were held and materials disseminated across the country.

- Student Team Learning

  Student Team Learning is a set of teaching techniques designed to help students in desegregated classrooms work together in class. This approach significantly increases achievement in the basic skills as well as builds friendly relationships both inside and outside the classroom. This was done at the NIE Center for the Organization of Schools at Johns Hopkins University.

- Technical Assistance to Teacher Centers

  Since 1975, NIE has supported the Teacher Centers Exchange, which links and provides a range of services to more than 400 teacher centers throughout the country. After the inception of the Federal Teacher Center Program in 1977, NIE funded two additional assistance projects to help teacher organizations develop effective project designs.

- The Effective Schools Project

  The Institute's effective schools effort focuses on discerning the circumstances and reasons why schools are doing an unusually effective job in raising students' achievement. Findings from one such study provided the basis for the development of a school improvement program recently initiated by the New York school system.

- The Southeast Regional Council for Educational Improvement

  State School Chiefs from 10 Southeastern States, with NIE support, established the Council in 1978 to promote policy research and analyses in support of long-range planning. The Council considers planning based on research and analysis to be essential in this region that is, unlike most parts of the country, experiencing growth.

  The Council is giving its initial attention to rural education, and is working closely with the Southern Youth Policies Board and the Appalachian and Southwest Regional Labs.

- The Northeast Planning Consortium

  Chief State School Officers from six New England States and New York have come together in this consortium. They are seeking ways to provide assistance (e.g., training and material) to teachers and administrators in this area of the country.

- Handbook of Basic Citizenship Competencies

  This publication suggests effective designs for educational programs that will prepare this generation of young people to be responsible citizens. In addition to the handbook, the Basic Citizen Competencies Project publishes a leadership guide for principals and a checklist for teachers, parents and community leaders.

- Regional Programs to Help Education Problem Solving

  Seven NIE-supported regional exchanges, working through 43 State departments of education, foster communication between researchers, developers, policymakers and teachers. The regional exchanges provide information, training and technical assistance which support school improvement efforts.

  In addition, five educational laboratories are offering regionally focused resources to help solve the specific policy problems of education agencies. For example, the Southwest Educational Development Laboratory sponsors policy seminars and symposia for State legislators and State department of education policymakers across a six-State area on such pressing educational issues as minimal graduation requirements and educational finance.

ILLUSTRATIVE PROJECTS OF THE LABORATORIES AND CENTERS

NIE supports eight regional educational laboratories and nine research and development centers. The primary purpose of the labs is to determine and help meet the educational research and development needs in a specified region of the country, while that of the centers is to provide national research leadership in a specified problem area of national importance. They conduct a wide variety of R&D activities, from fundamental research through dissemination and technical assistance. Following are brief descriptions of some of their activities, past and present.

- CEMREL, a St. Louis-based lab that serves ten Midwestern States, has developed two major curricula for elementary schools: Aesthetic Education, and the Comprehensive School Mathematics Program (CSMP). The Aesthetic Education materials provide a theoretical and practical structure for integrating the fundamentals of aesthetic perception through the arts. NIE's support of the basic research program in symbolic language (Project Zero-Harvard) led to a major conference sponsored by CEMREL, on the Arts, Cognition and Basic Skills. Currently, grades K-3 material are being used by more than 45,000 children and 1400 teachers nationally. Materials for grades 4-6 are being field-tested around the country. CEMREL's Regional Exchange, Research and Development Interpretation Service, and Urban Education Program are collaborating in the development of guidebooks for teachers and administrators called Research Within Reach. A guidebook (Composing Childhood Experience) has been featured at four regional conferences by the National Council of Teachers of English.

- Much of the work performed at the Wisconsin R&D Center on Individualized Schooling (WRDCIS) at the University of Wisconsin has centered around the development of programs in Individually-Guided Education (IGE). One of these--the Wisconsin Design in reading and IGE Mathematics--has been tried out in a number of pilot schools . In addition, the teaching and administrative problems and advantages of these approaches have also been studied.

- The Northwest Regional Educational Laboratory (NWREL) in Portland, Oregon, has developed an alternative program for high school juniors and seniors. Students in this Experience-Based Career Education (EBCE) program spend the last two years of high school gaining experience in the community. The Laboratory is now helping schools and other agencies apply these strategies for students with special educational needs: career development for young women interested in pursuing nontraditional careers, CETA-qualified Indian youth migrant youth, out-of-school adults and gifted and talented junior high school youth. People on seventeen Indian reservations in four Northwest states have been working with NWREL to develop supplemental classroom materials. The storybooks are based on Indian legends and stories, and are designed to enhance the self-image of Indian children as well as their reading ability.

- The Appalachia Educational Laboratory (AEL) in Charleston, West Virginia, created home-based preschool TV, a home visitor program, and mobile preschool classrooms which serve 3 to 5 year-old children and their families. HOPE (Home Oriented Preschool Education) consists of four components: (1) half-hour daily television lessons for families with preschool children, and printed parent guides to help parents understand what the child is learning and to follow-up with related activities at home; (2) weekly visits to families by local, trained paraprofessionals; (3) a weekly one-half-day group experience for children in mobile classrooms under the supervision of qualified teachers and aides; and (4) parent discussion groups.

- The Resource and Referral Service (RRS) at the National Center for Research in Vocational Education (NCRVE) at Ohio State University has developed comprehensive files on the work of research organizations to coordinate the use of research and development resources by state and local education agencies. It provides prepacked information and, through direct referrals, assists in matching the information needs of clients with appropriate R&D centers.

- To provide step-by-step instructions on evaluations for principals, teachers, and school district staff, the Center for the Study of Evaluation (CSE) at UCLA prepared an eight volume Program Evaluation Kit.

- Parents, teachers, and administrators are now receiving training to increase the participation of parents in instructional activities through a project at the Mid-Continent Regional Educational Laboratory (McREL) in Kansas City, Missouri. Laboratory resources were used to develop the training materials and to prepare those who conducted the training of advisory committee members.

- The National Center for Higher Education Management Systems (NCHEMS), located in Boulder, Colorado, has developed a set of measures of the outcomes of higher education, as well as questionnaires and other materials needed to collect information on outcome from college and university students and graduates. NCHEMS and the Educational Testing Service have conducted outcomes workshops across the nation, and, in cooperation with the College Board, the Student Outcomes Information Service has been established.

- The Learning Research and Development Center (LRDC) at the University of Pittsburgh has developed instructional mastery learning programs providing individualized direct instruction in mathematics, science, reading, and early learning skills. In conjunction with the Pittsburgh public schools and the Pittsburgh Urban League, LRDC conducted policy research. Further studies for the National Urban League to assess the national minority perceptions of minimum competency testing have also been done.

- The major project at the Research and Development Center for Teacher Education (RDCTE) at the University of Texas, "Classroom Organization and Effective Teaching", has over the past few years developed information on the characteristics of consistently effective classroom teachers at various levels, and of the way in which these characteristics interact with students' characteristics, classroom organization patterns, and group management techniques. The present emphasis of the project is in integrating its findings with those of other research institutions and in providing workshops, materials, and services to teachers, teacher educators, and administrators for more effective dissemination.

- Over the past four years, Research for Better Schools (RBS) in Philadelphia has developed and monitored the implementation of detailed management and reorganization plans in the desegregation of New Castle County, Delaware, Erie, Pennsylvania, and the General Braddock School District in Pennsylvania. Together, these three districts serve over one hundred thousand school children. RBS continues to provide technical assistance to the districts in building improved accountability and salary structures, planning curricula, parent involvement, and program monitoring and evaluation.

- The Southwest Educational Development Laboratory's Regional Exchange (SEDL/RX) in Austin, Texas helps State departments of education to develop, expand, and strengthen statewide and regional dissemination systems; and disseminates R&D outcomes and other resources that will contribute to school improvement. Specific activities include: State and regional workshops, conferences, and seminars; consultant services; attendance by SEA personnel at relevant conferences; knowledge synthesis; visits by staff to SEA's; information retrieval services; a regional program file; and a Resource Center.

EDUCATIONAL TECHNOLOGY

Senator SPECTER. Dr. Senese, the Secretary of Education frequently references the need for major new initiatives in educational technology.

How much money does your office intend to invest in this initiative in fiscal year 1983?

Dr. SENESE. We presently are building on some of the areas we have supported in the past in educational technology, particularly educational television programing.

As you know, we've had a program in our Office of Libraries and Learning Technologies which includes support of the development of video discs and microcomputers.

We are building upon existing program activities in educational television and technology and utilizing some of the money in our discretionary fund.

Do you want to comment on that, Sally?

Ms. CHRISTENSEN. No.

BUDGET FOR EDUCATIONAL STATISTICS

Senator SPECTER. Dr. Senese, the fiscal year 1982 level and the fiscal year 1983 budget request for educational statistics are less than the fiscal year 1981 level.

What has been the effect of budget decreases in educational statistics over the last 2 years?

Dr. SENESE. The Department has been able to absorb the budget reductions without disrupting NCES core activities. However, some projects have been dropped, including State technical assistance grants. Also, program and administrative modifications have been made to reduce burden on respondents and minimize expenditures rather than going to the entire universe; that is, we have increased use of samples surveys.

Senator SPECTER. Just how important is this entire area in the educational scheme of things?

Dr. SENESE. I think the collection and analysis of education statistics is a very important area, particularly with the implementation of the block-grant proposal. It is very important that we have accurate statistics on educational institutions.

Senator SPECTER. How far down can the budget of this kind of activity be curtailed and still leave you with sufficient funds to accomplish your purpose?

Dr. SENESE. Well, this is something that we have under constant review. It is very important that we maintain the quality and the basic data needs in this area.

If you look at the budget for statistics this year, I think it is about $158,000 above the continuing resolution level.

Senator SPECTER. But given the increases in inflation it doesn't leave you as many spendable dollars; does it?

Dr. SENESE. That is correct, and it requires a constant monitoring to make sure that we are getting the best information out of the limited resources.

USES OF EDUCATIONAL STATISTICS

Senator SPECTER. Can you give me one specific thing that this kind of statistical data research does—in a practical sense?

Dr. SENESE. In a practical sense? Well, let me mention, for example, that we collect very useful information on the elementary and secondary level; we also have data on higher education; we also collect——

Senator SPECTER. On what?

Dr. SENESE. Information.

Senator SPECTER. What kind of information do you collect?

Dr. SENESE. Well, enrollments in schools, for example.

Senator SPECTER. Enrollment in schools?

Dr. SENESE. Yes.

Let me ask the administrator; she can give a more detailed background on particularly some of the——

Senator SPECTER. Well, before you turn to her, could you give me one thing that you do that has some practical application in your opinion?

Dr. SENESE. Well, the publication of "The Condition of Education" is very important——

Senator SPECTER. The publication of "The Condition of Education"?

Dr. SENESE. That's correct.

Senator SPECTER. That's too general for me.

What do you mean by that?

Dr. SENESE. This is a report on the number of enrollments in schools, and other characteristics relating to schools, and on their possible effects.

Senator SPECTER. What can you learn from the enrollment in schools?

Dr. SENESE. I believe that over a historical period, one can find if the enrollment is going up—going down; you can also project future problems and opportunities.

Senator SPECTER. Such as what?

Dr. SENESE. Well, as far as spending money on schools, and projecting future teacher supply, whether it is on the increase or decrease. I think those are very practical areas.

One other important project is the High School and Beyond study, in which we will determine the relationships between work and academic achievement.

Senator SPECTER. Do you compile statistics on academic achievement?

Dr. SENESE. We do provide information on degree-granting institutions, the number of people receiving bachelor's, master's, and doctor's degrees.

Senator SPECTER. You compile those statistics?

Dr. SENESE. Yes.

Senator SPECTER. And what do you do with them?

Dr. SENESE. The information is disseminated, to the Members of Congress, the education community, and the general public.

Senator SPECTER. What do they do with them?

Dr. SENESE. Well——

Senator SPECTER. I am trying to understand what's being done in a practical sense?

I think one of the concerns is that we assemble for a short while and I don't really know very much about the matter; and there are a lot of questions which go from our staff here to your staff. It's like the old story about the notes going from pad of the professor to the pad of the students without going through the heads of either.

Dr. SENESE. Um-huh?

Senator SPECTER. And I'm just wondering what the reality is?

What are you doing that is important?

Dr. SENESE. We work very closely with the chief State school officers and discuss the meaning of the statistics and how such information can assist them in planning and determining future trends in their State.

We also work in the area of vocational education—there's a vocational education data system——

Senator SPECTER. Does this touch the substance of the things they teach?

Dr. SENESE. Well, I think it assists them in planning for future enrollments in certain areas. It's directly related to their role as chief school officers.

Senator SPECTER. Well, how does it assist them?

Dr. SENESE. I would like to turn to the administrator. She can give you more specific details because she works with the program on a day-to-day basis.

I think the statistical information we collect assists these school administrators in making policy.

EDUCATION STATISTICS CORE DATA

Senator SPECTER. All right.

Perhaps she can tell us specifically how it assists the administrators?

Ms. ELDRIDGE. Thank you, Senator.

I believe that a most important aspect of the program in the National Center for Education Statistics is to continue to develop the basic core data that has been used by researchers, administrators, and various policymakers. In terms of basic enrollment trends, which has been referred to by Dr. Senese: it's terribly important to follow what is happening—the shifts.

At the elementary-secondary education level we follow the shifts between public and private schools, the enrollment, the racial shifts, the shifts by socioeconomic status, and the pupil-teacher ratios in the various schools.

In terms of higher education perhaps we have no better record than has been produced during the House hearings last week that Mr. Garcia had on the impact of cutbacks in data sets——

Senator SPECTER. Cutbacks in what?

Ms. ELDRIDGE. In basic data collections as a result of cutbacks in budget and perceived data burden.

Senator SPECTER. Perceived data burden?

Ms. ELDRIDGE. Data burden; yes.

Senator SPECTER. Data burden.

Ms. ELDRIDGE. Data burden.

Senator SPECTER. What is data burden?

Ms. ELDRIDGE. Data burden is the man-hours required to fill out Federal forms.

Most of these go back—well, perhaps I shouldn't say most of which are done on a voluntary basis. Certainly all of the NCES forms are done on a voluntary basis with the exception of the mandated vocational education data system, which is a congressionally mandated system, used for compliance in vocational education.

In terms of the higher education system, we do collect basic data on opening fall enrollments, which clearly gives an indication of what is happening this year as early as possible. Now that is extremely important to the industry as a whole.

We collect data on earned degrees by racial and ethnic categories and by field—terribly important in terms of the trends, terribly important in terms of the brain-drain, in terms of the nonnationals who are getting the Ph. D.'s in this country. We do track that. We report on this quite regularly.

In terms of school finance—terribly important, what is happening to building maintenance, particularly facility maintenance in higher education? Have those costs been deferred? And what is going to happen in terms of the industry?

It is basically a manpower intensive industry, and we do track what is happening to faculty. We probably don't collect as much information as we should.

LONGITUDINAL STUDIES

In addition to the core data I think it's very important for you to know about the longitudinal work which we have been engaged in since 1972.

The first study, beginning in 1972, covered the high school seniors in 1972 and has been discussed by many as a national resource in terms of tracking these seniors both in terms of their postsecondary education, or the lack thereof, or the assumption of adult education, or the reentry into college later on; or whether they completed college—whether they completed it or they didn't—in terms of their subsequent employment and their contribution to our economy. Those data have been extremely useful.

We are very extremely pleased with the effort that we started in 1980, with the new longitudinal survey, which we call "High School and Beyond." In this survey we had the foresight to not only study the seniors, but also the sophomores. We wanted to do that for two reasons: One, by studying seniors alone we did not have any evidence on high school dropouts. We are in the process now of doing the first followup of that 1980 study. That will be in the spring of 1982. We will be able to determine exactly what is happening to the dropouts between the sophomore year in high school and the senior year—extremely important.

We have issued a number of bulletins dealing with minimum wage, dealing with the seniors' perception of military service and dealing with youth and work. We are currently working on an analysis of perceived discipline problems in the schools. Surely you are familiar with the Coleman report which generated considerable interest in terms of the public and private studies. Most recently released, just last week, was a bulletin that dealt with parental views on student financial aid in higher education.

These are extremely policy-relevant bits of information which are being generated from our data which are being used by policymakers, and which are being cited quite frequently in the press. There's absolutely no question about that.

FAST RESPONSE SURVEYS

In addition to the core data—and I haven't mentioned all the core data; I wouldn't want to give you a full catalog—and in addition to the longitudinal studies, I would like also to mention a device we use called the "fast-response survey system." In this system we attempt to address highly topical policy-relevant issues which can be gotten at very quickly and succinctly in a very brief questionnaire. The results are in essence turned around from the time of the conception of the questionnaire, the results come back to us and are delivered to the requestor—which is either someone from the executive department or the legislative department—within 90 days. The most recent final report we put out has to with student use of computers in schools in 1980. It's been an absolute best-seller, the first relatively comprehensive study in this area. And we have been asked to do a followup on this, which we are in the process of planning.

So in terms of the relevance of the data I believe that anyone who looks at it very carefully would be very pleased with what we are producing.

Senator SPECTER. Ms. Eldridge, that's a very helpful answer.

SUBMITTED QUESTIONS

Now I have some idea of what you are doing. Thank you very much. We will submit some questions for response for the record.

Ms. ELDRIDGE. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

RESEARCH PRIORITIES

Question: Would you please submit for the record NIE's specific FY 83 research priorities and the amount of money the agency intends to spend on each.

Answer: In FY 1983, 94 percent or $50.5 million of NIE's budget is required to support continuation costs that will build upon past work and inquiries from the field on the major issues of: identifying and disseminating the characteristics of effective schools; improving instruction in reading and writing, science and mathematics; assisting State and local education agencies and institutions to deal with changes in governance and financing of education; and assisting States and localities to obtain and utilize research information for school improvement.

The $3.1 million in new FY 1983 activities will address the following Institute priorities:

° Improving the quality of education ($2.0 million)--Building upon previous work in the areas of reading, math instruction, teacher quality, effective schools, and classroom instruction and testing.

° Assistance to States and localities ($1.1 million)--Focused on the changing Federal role, technical assistance, and the dissemination of research findings.

NIE'S MOST SIGNIFICANT ACCOMPLISHMENTS

Question: What are the three most significant accomplishments of federally funded education research over the last ten years?

Answer: Since NIE's inception in 1972, many significant accomplishments have resulted from federal support of research and development activities. It is hard to single out three single accomplishments as being most significant; however, the following are among the most outstanding accomplishments with which the Institute is proud to have been associated:

° Educational Resources Information Centers (ERIC)

People concerned with educational improvement must have access to what information is already known in the field of education. The Educational Resources Information Center (ERIC) system is an NIE operational activity which addresses the problem of access to educational information, and is the largest education data base in the U.S. and the world. The system is composed of a network of sixteen content focused information clearinghouses which compile and analyze educational research and development information to make it accessible to researchers and practitioners in over 3,000 locations throughout the United States.

A study of ERIC yielded important information on the cost and usage of the ERIC system. This study is unique in that it provided for the first time data with which to make more accurate estimates of the number of ERIC users nationwide and the cost associated with ERIC use. The study found that ERIC is used over 2.7 million times a year at 3,269 locations, indicating its extensive availability and use. To date it has been used by almost one third of the public and private school practitioners in the nation and well over half of all school administrators, university faculty, and educational consultants. The study also determined that non-Federally funded organizations that provide ERIC information and services to their clients invest almost four times as much in the provision of these services as NIE does on the development and maintenance of ERIC products.

° Increased achievement through increased time devoted to learning tasks

The landmark, NIE-supported, California Beginning Teacher Evaluation Study (BTES), from which the crucial importance of increased time-on-task was derived, has been translated into steps to directly improve instruction in several ways. First, a series of mini-grants were awarded to local education agencies and teacher education institutions in the state who wished to revise instructional practices as a result of the BTES findings. Second, the California Commission for Teacher Preparation and Licensing will use the results as one basis for deciding upon teacher education program approval and certification practices. Third, the book Time to Learn, which discusses the findings and implications of the study and contains chapters written by a teacher, principal, superintendent, teacher educator, etc., has been extremely well received. Nearly 10,000 copies of the volume have been requested by staff developers, deans of colleges of education, teacher center staffs, principals and state department of education personnel. As just one specific example of the book's impact, the Washington, D.C. schools announced that the research evidence and practical hints provided by the BTES served as a major stimulus for their decision to design a junior high program to increase mathematics and reading instructional time throughout the sytem.

° Characteristics of Effective Schools

Through NIE-supported research, we have made major inroads towards determining what makes a school effective. In fact, these studies indicate that differences in effectiveness among schools can be accounted for by the following five factors:

- ° Strong administrative leadership by the school principal, especially in regard to instructional matters.

- ° A school climate conducive to learning; that is, a safe and orderly school relatively free of discipline and vandalism problems.

- ° Schoolwide emphasis on basic skills instruction (which entails acceptance among the professional staff that instruction in the basic skills is the primary goal of the school).

- ° Teacher expectations that all students, regardless of family background, can reach appropriate levels of achievement.

- A system for monitoring and assessing pupil performance which is tied to instructional objectives.

In New York City, the recent Chancellor of Public Schools, Frank Macchiarola, was "happy to be able to announce that for the first time in twelve years, our students' reading scores this year exceed the national average." He attributed this, in part, to the benefits of research on effective schools.

FY 82 REDUCTIONS

Question: Last year this committee instructed NIE to reduce its continuation contracts and grants in a proportionate manner not to exceed 10 percent for any award? What impact has this had on the Institute's continuation contracts and grants? (Note: The Institute seems to have reduced funding for the labs and centers by 10 percent but spared other large contractors.)

Answer: The Institute reduced continuation awards over $100,000 by 10 percent except for the National Assessment of Educational Progress and the National Center for Research on Vocational Education which were level funded in compliance with Congressional Report language. The impact has been that the scopes of work have been trimmed back to live within the reduced budget. Areas being reduced include: work hours and, therefore, personnel compensation; sample sizes; and secondary analyses.

EDUCATIONAL LABORATORIES AND R&D CENTERS

Question: NIE spends roughly 50 percent of its budget on Regional Educational Laboratories and Research and Development Centers. In general, what is the quality of work produced by these Labs and Centers?

Answer: The Institute spends 53 percent of its budget on noncompetitive awards for labs and centers. These awards support activities which vary in quality from institution to institution and in some cases within institutions. During a time of shrinking budgets NIE is concerned that it get the highest quality work from all its contractors and grantees. This can best be achieved by using established government-wide competitive bidding procedures for all future awards to labs and centers. We believe that in following the Congressional impetus toward the use of these procedures, we will receive a generally higher quality of research and development efforts from all our contractors and grantees, including the labs and centers.

Question: Are there audits underway to look into waste, fraud, and abuse in Labs and Centers? What has been found?

Answer: Yes, audits and reviews are being conducted on the activities of the labs and centers. These activities are still in process and their findings are not yet available.

LAB AND CENTER REVIEW

Question: The Committee is aware that the Institute entered into five-year contractual agreements with the Labs and Centers. This arrangement calls for a third-year review of their efforts. Last year, both the House and the Senate Appropriations Committees directed NIE to conduct this review. Can you tell us how this review is proceeding? (Note: Thus far, the Institute has yet to notify the Labs and Centers of plans for the third-year review).

Answer: The opinion of General Counsel is that NIE has three year contracts and grants with labs and centers. These awards were made in 1980 under the policy of long-term noncompetitive support for labs and centers. Under this policy these organizations submitted five year plans with scopes of work for three year contracts and grants. It is these three year awards which will be ending this year, on November 30 (two centers are out of phase and their grants will end on November 30, 1983).

In 1980 when NIE made these awards its budget was $80 million dollars, and the prospect was for rising or at least level appropriations into the future. Under these conditions the Institute planned to conduct a review during the third year of our lab and center contracts and grants, that was to be focused on whether and how we would renew these long term noncompetitive relationships. As part of this review the labs and centers were to submit five year plans out to 1988 with scopes of work that could result in noncompetitive contracts and grants extending as far out as 1986.

However, NIE has received guidance from Congress that at the end of the existing contracts (which would be November 30, 1982 for 15 of the organizations, and November 30, 1983 for the two others) all future lab and center awards are to be made competitively. NIE's budget has also declined by 33 percent since 1980, and the Institute faces future budget uncertainties. Under these conditions we cannot review proposals for plans out to 1988 and possible contracts for noncompetitive work to 1986.

In the face of the compelling circumstances which it now faces, the Institute intends to make a transition during 1983 to open competition. I announced this fact to the labs and centers in a letter dated March 19, 1982 (see sample attached). This letter informs the labs and centers that this year we will conduct a review that is limited to the 1983 work they propose to complete during the transition to competition. The letter outlines the nature of the proposal to be submitted, it sets a date of May 25 for its delivery, and it invited the lab and center directors to meet with me for further discussions of the proposal and this year's review. The review will be completed by late August or early September, and at that time I will be pleased to share the results with you.

Dear

In my letter of February 5, I invited you to meet with me during March to discuss our plans for reviewing the proposal you will be submitting on May 25, 1982.

This review will take place in the context of two events that have had a major impact on the Institute's planning process. First, during the past year, Congress expressed its intent that the labs and centers shall, upon completion of existing awards, receive future funding in accordance with Government-wide competitive procedures. Second, NIE has received a budget authorization that is insufficient to continue former levels of noncompetitive, long-term support.

We are attempting to develop a judicious response to these events. These compelling circumstances will require us to alter our policy of noncompetitive funding for labs and centers. However, in implementing the Congressional intent on competition, we wish to proceed on a schedule that will allow you to adjust to this change in our funding policy.

We plan to conduct competitions, with projected award dates in the summer of 1983, for a significant number of activities to begin in fiscal year 1984. These competitions will be announced this fall. We believe this schedule will allow sufficient time for the nation's R&D community, including the labs and centers, to prepare for and participate in the competitions.

We are aware that your existing award ends on November 30, 1982, which is prior to the projected award date for the competitions. However, we believe it is appropriate for the labs and centers to continue receiving support until the competitions can be completed. To this end, we are requesting a proposal from each lab and center for fiscal year 1983 activities to be submitted on May 25, 1982.

This proposal should have four components:

- A review of your organization's accomplishments to date.
- Proposed continuations of existing work into FY 1983.
- Proposed new projects to be completed within FY 1983.
- Plans for phasing out work supported by NIE under noncompetitive awards.

For your review of accomplishments in this proposal, you may rely heavily on existing documentation and reports of your work. With regard to your plans for 1983, I hope that we can make constructive use of our upcoming meeting to discuss the substantive direction, duration, and funding level of the projects you might propose. Our contracts staff will be prepared to discuss the nature of your phase-out plans with you during your visit to Washington, and they will be sending you guidance on what to include in your proposal. Typically, a phase-out plan would cover a 90-day period of declining program activity, and it would be used to achieve an orderly completion of research and support functions. I want to emphasize that these plans are a common feature of large Government contracts, and in no way are they intended to prejudge or otherwise limit your eligibility to compete for new awards.

When we receive your proposal, it will undergo a thorough review by external field readers and NIE staff. Your institutional monitor and others, on an as-needed-basis, will make a site visit in late June or early July to discuss the review with you. Your monitor will then report the findings of the review to the lab and center committee. Having considered the review findings and the committee's recommendations, I will announce my decision on your proposed 1983 work by October 1 of this year.

The review that we plan will be somewhat different from the one that was originally envisioned for your third year under the policy of noncompetitive long-term support. Under that policy we ordinarily would have considered the questions of whether and how to continue noncompetitive, long-term support for your organization, and the third-year review would have provided the primary basis for those decisions. However, the review will now be limited to the work you propose to conduct during the fiscal year 1983 transition to open competition. Of course, the results of this review will be shared with the Congressional Appropriations Committees during the fall of this year.

I recognize that this policy of open competition constitutes a major change in NIE's relationship with the labs and centers, and I appreciate the fact that it may have significant impact on your organization. I want to assure you that we will not take precipitous actions in implementing this policy. I hope that our upcoming meeting will mark the beginning of productive discussions on how we can best manage this transition.

Sincerely,

Edward A. Curran
Director

MULTI-YEAR CONTRACTS

Question: What proportion of your projects are funded on a multi-year basis?

Answer: In fiscal year 1983, approximately 94 percent of NIE's activities will be continuations of awards made in prior years.

Question: Due to uncertainty of funding, would it be more advisable to fund projects on a year to year basis?

Answer: Because research itself is often long-term in nature, some degree of continuity is often desireable if research is to be fruitful and meaningful. Given the lower levels of funding, however, we believe it is important to improve the balance of research conducted by NIE by moving toward more short-term work.

OTHER NIE CONTRACTS AND GRANTS

Question: The Committee is aware that the labs and centers are just some of the university-based centers and nonprofit research institutions that NIE funds. What are the other NIE institutional contracts or grants?

Answer: NIE provides support to several other institutions based upon long-term awards of 3 to 5 years. In fiscal year 1983 these other institutional funding relationships will include: the National Assessment of Educational Progress; the Center for the Study of Reading at the University of Illinois, Evanston, Ill.; the Institute for Research on Teaching at the Michigan State University, East Lansing, Michigan; the National Clearinghouse on Bilingual Education at Inter-America Associates in Arlington, Va.; the National Center for Bilingual Research located at the Southwest Regional Educational Laboratory, Palo Alto, California; and the 16 Educational Resources Information Center (ERIC) clearinghouses at locations across the country. In contrast with the Labs and Centers, however, all of these awards were made in accordance with government-wide competitive bidding procedures.

Question: How much of the NIE's fiscal year 1983 budget of $53.6 million supports continuation contracts and grants?

Answer: In fiscal year 1983, approximately 94 percent of NIE's budget (or $50.5 million) will support continuation costs of contracts and grant projects begun in prior fiscal years.

Question: How much will be available for new activities?

Answer: Of NIE's $53.6 million budget in fiscal year 1983, only 6 percent (or $3.1 million) will be available to build upon previous work or to undertake new activities.

VOCATIONAL EDUCATION STUDY

Question: What were the general findings of the recently completed NIE study on Vocational Education programs? How much was spent on the recently completed study on Vocational Education programs?

Answer: The four-year, four-million dollar study reported key findings bearing upon six principal provisions of the 1976 amendments of the vocational act of 1963. The six provisions are as follows:

- Distributing Funds to Areas - The ways by which Federal funds are distributed to areas and are earmarked to benefit certain groups of individuals are crucial to realizing Federal policy objectivies.
- Program and Services for Special Needs Students - One of the key objectives of the Vocational Education Act, as amended, is to assist the States to improve their capacity to provide vocational education programs and services to students who are handicapped, or disadvantaged, or whose English-speaking proficiency is limited.
- Overcoming Sex Bias and Sex Stereotyping - Overcoming sex bias and stereotyping in vocational education is a new objective of Federal policy introduced with the 1976 legislation.
- Improving Planning - The planning provisions of the 1976 legislation require State to install a process designed to result in comprehensive and coordinated planning attuned to changing labor market conditions and resulting in streamlined planning documents.
- Extending and Improving Programs - Encouraging change and improvement in the Nation's vocational eduation enterprise is a key purpose of Federal policy, but the Vocational Education Act lacks effective provisions for achieving this objective.
- Strengthening Evaluations - The 1976 amendments introduced requirements for strengthening State evaluations of vocational education programs in order to contribute to improving programs and their correspondence to labor market demands.

The findings support three broad conclusions:

- The Vocational Education Act of 1963, as amended, attempts to accomplish too much with too few resources.
- There are sometimes mismatches between the ends of Federal policy and the means relied upon to realize them.
- Realizing the ends of Federal policy depends heavily upon State and local policies, practices, and resources.

Question: How is the Department making use of this information?

Answer: As you know Congress mandated NIE to undertake a "Thorough evaluation and study of vocational education programs..." The study was designed to provide information which would be useful to Congress in the reauthorization of the Vocational Education Act. The final report was submitted to the Congress. On October 21, 1981 the findings of the NIE study were presented to the Subcommittee on Elementary, Secondary and Vocational Education conducting hearings on the reauthorization of the Vocational Education Act.

NIE and the Department's Office of Vocational and Adult Education are currently holding a series of seminars in order to make the results of the study more widely known within the Department, and to generate discussion on the implications of those results. Also, preliminary findings from the study were carefully considered in developing the Department's proposed "Vocational and Adult Education Consolidation Act."

INFORMATION-SHARING

Question: Of what value is the Educational Resource Information Center system (known as ERIC)?

Answer: People concerned with educational improvement must have access to what information is already known in the field of education. The ERIC system is an NIE activity aimed squarely at addressing the problem of access to educational information. The system is composed of a network of sixteen content focused information clearinghouses which compile and analyze educational research and development information to make it accessible to researchers and practitioners in over 3,000 locations throughout the United States.

Question: How many annual users are there and what groups do they represent?

Answer: During 1981 NIE completed a study on comprehensive information about the nationwide resources, costs, and use of the ERIC system. Study data reveal that ERIC resources are used more than 2.7 million times annually. Study data also show that ERIC has been used by 29.6 percent of all education practitioners (teachers, principals and school librarians), and by 64.4 percent of all education administrative personnel (school district staff and state education personnel).

Question: Have ERIC funds been reduced in the past few years? And if so with what effect?

Answer: The ERIC budget has been stable for several years at $5.5 million. However, in fiscal year 1982 when the Senate Appropriation Committee directed NIE to reduce its continuation contracts and grants in a proportionate manner not to exceed 10 percent for any award, the ERIC budget was reduced by 10 percent. Each clearinghouse was given some latitude in deciding where specific reductions would be made, and we worked closely with each one. In general, the reductions have resulted in slightly reduced user services, and fewer products, data base collections, and syntheses of publications.

NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS

Question: The National Assessment of Educational Progress (NAEP) collects and assesses information on student performance in various learning skills. Compared with their counterparts of a decade ago, how well are youngsters doing today in such areas as reading and math?

Answer: NAEP data show some areas of significant improvement. For example, NAEP recently reported that elementary-school students are reading better than their counterparts in the early 1970's, and that groups traditionally viewed as "disadvantaged" have made substantial gains at the elementary level. NAEP data also reflect improvements in mathematics at the elementary level, and corroborating evidence of these improvements can be shown by increased math scores among students in Iowa, Virginia, the District of Columbia, Houston (Texas), and New York City, to name a few.

The news from NAEP on progress at the secondary level, however, is disappointing. Overall test scores have been declining, especially in the areas of mathematics, analytical skills, reading comprehension, and writing ability.

Question: How much is budgeted in NIE for this activity?

Answer: In fiscal year 1982 and fiscal year 1983, NIE has budgeted approximately $3.9 million for NAEP.

Question: How widely is the Assessment used around the country?

Answer: NAEP findings are the only national data on what our country's elementary and secondary students are learning. Under NIE leadership, NAEP reports now include analyses by leading researchers and practitioners of possible reasons for the changes that may be noted, as exemplified in the recent NAEP analyses of the probable reasons for the apparent decline in writing skills.

NEED FOR NAEP

Question: What is the need for the National Assessement for Educational Progress--we have the National Center for Education Statistics?

Answer: The National Center for Education Statistics collects data on institutional characteristics such as enrollment, financing, numbers of teachers, administrators, schools, etc. It has no responsibility for measuring student achievement. As you probably know, responsibility for the federal administration of NAEP was transferred from NCES to NIE in mid-1979.

TRENDS IN SCHOOL ENROLLMENTS

Question: What recent information have you gathered on trends in school enrollments?

Answer: The number of children enrolled in grades kindergarten through 12 decreased by about 5.2 million from 1970 to 1980. Public school enrollment decreased about 11 percent while private school enrollment was about the same in 1980 as in 1970. Public school enrollment increased in nine States: Alaska, Arizona, Florida, Idaho, Nevada, New Hampshire, Texas, Utah and Wyoming. The increases in all nine States totaled about 320 thousand children. The 12 States with the largest percent enrollment decreases were six midwestern States (both Dakotas, Iowa, Kansas, Missouri, and Minnesota) and six eastern States (Rhode Island, Connecticut, Delaware, Maryland, Pennsylvania, and Ohio). In numbers, the largest declines were in New York State and California, more than 600,000 and 500,000 respectively.

While changes in total population and public school enrollment are clearly related, there is one major departure from such a rule. California's loss in public school enrollment was 11 percent; its gain in total population was 18.5 percent.

Enrollment in colleges and universities continued to rise annually. Preliminary estimates for 1981 indicate a total of 12,322,500 students enrolled, up almost 2 percent from the previous year. The increase is attributed to the number of 16-24 year olds (the last group from the baby boom of the 1950's and 1960's), the increasing participation of women in higher education and the growing popularity of 2-year institutions. By 1981, women accounted for nearly 52 percent of all higher education students, up from 45 percent in 1975 and 42 percent a decade ago.

EDUCATION TECHNOLOGY - 5 YEAR PLAN

Question: Your FY '83 budget documents mention a joint 5-year project with the Corporation for Public Broadcasting to monitor the effects of TV, computers and other technology on Education. How will this project be conducted?

Answer: Since 1970 the National Center and the Corporation for Public Broadcasting (CPB) have jointly sponsored a statistical program to collect, analyze and disseminate information on the public broadcasting industry and on the availability and use of television, radio and other media in education.

Building on this long-standing cooperative relationship NCES and CPB plan to co-fund and conduct during the next five years statistical surveys and analyses that focus on the utilization of electronic technologies in elementary, secondary and postsecondary education. Plans also include conducting a national household survey on the use of TV, radio and other technologies for formal and informal education activities, implementing a national teleconference on State educational technology plans and practices, and surveying public TV and radio stations on the education services provided by these stations to elementary and secondary schools, colleges, and universities.

Question: What will the cost be over 5 years?

Answer: The total projected costs for NCES are estimated at approximately $1.2 million for fiscal year 1983 through fiscal year 1987. Consistent with past efforts, plans include an equal contribution by the Corporation for Public Broadcasting.

Question: What other areas of the Department will be looking into the educational technology area?

Answer: Various areas of the Department are concerned with the impact of educational technology on education, and on its potential for improving education, including the Offices of Vocational and Adult Education, Special Education and Rehabilitative Services, and, in addition to NCES, other units of the Office of Educational Research and Improvement such as the National Institute of Education. The Secretary has also authorized the use of a portion of the Secretary's Discretionary Fund (about $7 million) for a program of Educational Television and Technology.

Together, these programs represent an interest and concern by the Secretary of Education that the Department do those things necessary and possible to ensure that schools and the nation's education systems realize the educational benefits of the new information technology.

Question: How will these activities be coordinated?

Answer: To coordinate these activities, plans are being developed at the Secretary's request for a Department-wide coordinating council. It is intended that the Assistant

Secretary for Educational Research and Improvement will chair the council.

FAST RESPONSE SURVEY SYSTEM

Question: Tell us about the Fast Response Survey. How many of the Fast Response Surveys are conducted each year and how are the topics chosen?

Answer: For the past several years the Center has conducted an average of four surveys per year.

Fast Response Surveys are initiated only upon request of education policy-level officials who require data to help them make decisions on emerging issues. The Fast Response Survey System mechanism is used if the policy issue can be addressed adequately through a brief questionnaire.

Question: What is the approximate cost of each survey?

Answer: The estimated cost of each survey is approximately $60,000 for non-SEA surveys and $30,000 for SEA surveys.

Question: So far this year, how many Fast Response Surveys have you conducted and on what "key policy areas?"

Answer: During the last 12 months the following surveys have been conducted:

Student Use of Computers in Schools was initiated in fiscal year 1981 and the final report was released in fiscal year 1982.

School District Perceptions of Federal Competitive Education Programs was initiated in fiscal year 1981 and the final report is in process and will be released in fiscal year 1982.

Student Use of Computers for Student Instruction, a follow-up to the 1981 study, will be conducted in Spring, 1982 and the final report will released by September, 1982.

Two additional surveys relating to the Commission on Excellence are in the planning stages. One is a summer survey on school efforts to improve academic achievement. The other is a survey of adult education centers as alternate forms of public school education.

EDUCATIONAL TECHNOLOGY

Question: The Secretary of Education frequently references the need for a major new initiative in educational technology. How much will NIE spend on educational technology in fiscal year 1983.

Answer: NIE will support about $1.1 million for activities in educational technology.

These projects include: studies to improve math education through the use of information technology, particularly microcomputers; a Calculator Information Center which collects and disseminates information to a variety of audiences on hand-held calculator usage in school mathematics; a clearinghouse service on microcomputer-based instructional and administrative software for teachers; and, studies to test the use of microcomputers to teach problem solving and language skills.

REDUCTIONS IN NCES' BUDGET

Question: What has been the effect of budget decreases in education statistics over the last two years?

Answer: Efforts to reduce excessive data collection and to concentrate on analysis of policy-relevant data have enabled the Department to absorb the budget reductions without disruption in the basic core of statistics necessary to report on the condition of education. Specific projects or activities which were dropped or reduced include: the State technical assistance grants, certain higher education surveys relating to interstate student enrollment patterns, a follow-up survey to the High School and Beyond study, a private school study focusing on Federal assistance, a survey of pre-primary education institutions, and special studies in the area of international education. In addition, the analysis program and some methodological research and technical development activities have been reduced.

NCES PRIORITY AREAS

Question: What priority areas will the National Center for Education Statistics focus on in FY '83?

Answer: The Center's top priorities are to:

- Meet its legislative mission and mandates. The Center will continue to give priority to projects that provide the basic core statistical data of proven utility necessary to maintain long term data series that describe the condition of education in the United States. This would include maintenance and improvement of the five major data bases on public and nonpublic elementary-secondary, postsecondary, vocational, and adult education. It would also include legislatively mandated studies such as the Vocational Education Data Collection activities and the Teacher Supply and Demand reports.

- Meet Departmental requirements. A number of projects have been developed in response to Departmental initiatives. For example, the Center will conduct a study into the availability and use of TV and computers in elementary, secondary, and in postsecondary education in response to the Secretary's interest in monitoring uses of educational technology.

The second follow-up to the High School and Beyond study will measure student achievement, financial aid, status of high school dropouts, and other characteristics. This information will support the Department's Commission on Excellence in Education.

In addition, the Fast Response Survey System will provide a mechanism for obtaining data on policy relevant issues as they emerge.

FUND FOR IMPROVEMENT OF POSTSECONDARY EDUCATION

STATEMENT OF EDWARD M. ELMENDORF, ACTING ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

ACCOMPANIED BY:

SVEN GROENNINGS, DIRECTOR, FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

SALLY H. CHRISTENSEN, DIRECTOR, OFFICE OF BUDGET SYSTEMS AND SERVICES

SUBCOMMITTEE PROCEDURE

Senator SPECTER. We are going to have to move on now to the next panel on the Fund for Improvement of Postsecondary Education.

And we are pleased to welcome Acting Assistant Secretary for Postsecondary Education, Edward M. Elmendorf.

[Pause.]

Senator SPECTER. It's very nice to see you.

Welcome, Mr. Elmendorf.

You have with you Mr. Sven Groennings, and Sally Christensen; OK, we would be very pleased to hear your testimony.

PREPARED STATEMENT

If you would summarize, we would appreciate that, and the full statement will be made a part of the record.

[The statement follows:]

STATEMENT OF EDWARD M. ELMENDORF

I appreciate the opportunity to appear today to present the fiscal year 1983 budget request for the Fund for the Improvement of Postsecondary Education.

The demands for change in postsecondary institutions are well-known. New KINDS of jobs and new knowledge require modifications in academic programs. The number of 18 to 22 year olds is declining while the very different learning needs of adults, minorities, and women are all on the increase. Test Scores are down. And the revenue base of both private and public education is being squeezed. In brief, institutions are being asked to take less well-prepared students, educate them more and in different ways than in the past, and to do it all with less money. The only way to accomplish that kind of adaptation and improvement in quality is with new ideas.

In fiscal year 1983, the budget request for the fund is $11.9 million, an increase of $380,000 over the revised request for 1982. This will fund projects which focus on better utilization of computers and video equipment; improved management strategies; and programmatic changes that allow institutions to serve new kinds of students.

We are also proposing that the fund be administered by the Foundation for Education Assistance in fiscal year 1983.

The Fund for the Improvement of Postsecondary Education has been charged by the Congress to seek out new ideas, and to give small, temporary grants to institutions to stimulate improvements in education. New evaluation results have indicated that the typical grant not only succeeds in initiating new programs but that those programs, in turn, influence practices at an average of 20 other institutions around the country, without fund support. Evaluation results also found that of the fund grantees intending to continue projects after the seed grants end, 70 percent succeed in doing so.

This concludes my opening statement. My colleagues and I will be happy to respond to any questions you may have.

BIOGRAPHICAL SKETCH

Name.—Edward M. Elmendorf.

Position.—Deputy Assistant Secretary for Student Financial Assistance.

Birthplace and date.—Oneonta, N.Y., August 1, 1939.

Education.—Hartwick College, 1961, B.A.; Springfield College, 1966, M.A.; and University of Massachusetts (Amherst) 1975, Ph. D.

Experience.—Present—Deputy Assistant Secretary for Student Financial Assistance; 1974-81—President, Johnson State College; 1978-80—Adjunct Professor of Education, Johnson State College; 1973-74—Acting President, Vice-President for Administration, Johnson State College; 1966-77—Dean of Admissions, Johnson State College; 1965-66—Graduate Assistant, Springfield College; and 1961-65—Personnel Office, U.S. Navy Reserve.

Association membership.—1976-77—President, Vermont Higher Education Council of Presidents; and 1971-73—Board of Directors, New England Personnel and Guidance Association.

OVERVIEW

Mr. ELMENDORF. Yes, sir, thank you.

I would just like to say that this program is what its name implies: a Fund for the Improvement of Postsecondary Education.

It has a commendable track record.

We are asking in fiscal year 1983 for $11.9 million, an increase of approximately $380,000 over the revised request for 1982.

Congress established this program to develop new ideas in postsecondary education by funding short-term grants to stimulate improvements in postsecondary education.

Our priorities this year are twofold: One, to assist institutions make programmatic changes which will serve new kinds of student clientele, particularly the adult learners, women, and minorities; and, second, to improve the utilization of computers and visual and telecommunications equipment.

One of the benchmarks of success in a program like this is the degree to which institutions assume the program with their own institutional resources once Federal support is withdrawn. I am proud to say that with this particular program our record show that over 70 percent of those institutions that have received seed money from FIPSE have continued the projects and incorporated them into their institutional plans.

Thank you.

FISCAL 1983 BUDGET REQUEST

Senator SPECTER. How was your group successful in getting an increase in budget to the extent you did, given the cuts everywhere else?

Mr. ELMENDORF. The program has a commendable track record. It has demonstrated that it has been effective through the 940 projects we have funded since 1972 when it originated.

Senator SPECTER. How many projects in which Federal support has expired in the last 2 years have been able to continue with outside sources of funding?

Mr. ELMENDORF. I will let Mr. Sven Groennings answer the specific questions on actual program grants.

Mr. GROENNINGS. An evaluation of the fund has recently been completed and the study indicates that 70 percent of all 50 funded projects have had a continuing life in almost all cases without further Federal assistance of any type.

Senator SPECTER. So there is the availability of outside funding?

Mr. GROENNINGS. Funding is typically picked up by the host institutions. When we make grants, we make them not only because of the originality of their ideas, but also because they are likely to be cost-effective and have a continuing life because of institutional commitment. In addition, we look to support projects that are replicable and address general problems in postsecondary education which go beyond the single campus or institution which is hosting the project.

Senator SPECTER. Has the fund been subject to external evaluation since the last meeting of this committee?

Mr. GROENNINGS. Yes; an evaluation has recently been completed.

I would like to call your attention to one of the more significant findings; that 70 percent of all our grants have had some influence on other institutions and that, on the average, each grant had some influence at 20 other institutions.

In addition, by way of comparison, I would also like to mention that a study made by the Rand Corp. of Federal discretionary grant programs and their general impact indicated that the general range of continuation of projects within the 5- to 15-percent range, we have 70 percent. About 85 percent of all our proposals have the potential of continuing. It wouldn't be right to say that 100 percent have that potential; but 85 percent did; and 70 percent of the total did continue.

I know, Mr. Chairman, of no other organization with that kind of record.

I might say that I worked in the Senate the previous 4 years in educational legislation. During that time I hardly ever heard of FIPSE or funds for improvement of postsecondary education.

Senator SPECTER. Which committee did you work for?

Mr. GROENNINGS. I worked for——

Senator SPECTER. Which Senator?

Mr. GROENNINGS. I worked for Senator Stafford, it was, on the Education, Arts, and Humanities Subcommittee.

FIPSE was a program we heard relatively little about. But I have found since that it is a real jewel of a program.

Senator SPECTER. So now more will be heard of it? [Laughter.]

I have only one further question:

Ms. Christensen, how does it happen that you sit on both panels without making any comments?

Ms. CHRISTENSEN. I'm sitting as a budget officer for the Department, and if there had been any questions with regard to the overall funding levels or relating to other programs or any technical questions with regard to justifications, I would have been glad to have responded to those.

SUBMITTED QUESTIONS

Senator SPECTER. Well, we thank you for being available. We have some questions to be answered for the record.

Thank you all very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

Question: Most programs in the Department's budget have had their budgets reduced; the budget for the Fund for the Improvement of Postsecondary Education has received a small increase, from $11.5 million to $11.9 million. Why was this program awarded an increased budget?

Answer: The 1983 budget request of $11.9 million is an increase of $380,000 over the 1982 revised budget request and $1.6 million decrease from the 1981 level. We are requesting a slight increase from the 1982 revised budget because we feel there is a continuing national need for improvement and innovation in postsecondary education and the Fund has been successful in addressing a wide range of needed improvements. Also, the fund fosters improvements in postsecondary education which are not likely to be supported through other sources. The increase will enable the Fund to support programs in telecommunications and to address a variety of problems now facing community colleges which enroll 40 percent of all postsecondary students.

Question: How do you measure the success of the grants awarded by the fund?

Answer: The success of the grants awarded by the Fund is measured by several criteria. These are: 1) did the project actually benefit its direct audience, as planned? 2) if it was meant to initiate an activity that continues after the grant, did it succeed? 3) has it stimulated a broader pattern of improvement in postsecondary education? 4) do these national patterns of improvement meet the mandates set by Congress in the Fund's legislation, Title X? These criteria are measured and evaluated, site visits are made and annual reports are also reviewed in determining the success of the projects.

Question: How many projects, whose Federal support has expired in the last two years, have been able to continue with outside sources of funding?

Answer: We have not taken an evaluation or an analysis for the last two years. However, we do have an analysis of prior years from an evaluation conducted by the National Testing Service, Inc. of Dunham, North Carolina. The evaluation results indicated that 70 percent of the projects have continued after Federal funds were withdrawn and almost always did so without other Federal funding. Moreover, 41 percent of these projects increased their funding level, and these increases occurred without the use of Federal funds. In addition, it was found that FIPSE support was almost never replaced with funds from another Federal agency. The new support came from the host institution, client fees or tuition, State and local funds, or foundation grants.

Question: How does the fund fit into the Administration's program of encouraging local initiative and responsibility?

Answer: The Fund's Comprehensive Program, which includes almost 95 percent of the awards granted, is based on response to local initiatives and assisting in meeting local needs. The program has demonstrated that it can provide "seed" money to local initiatives, assist the local community to become involved in addressing their needs, and, then allow the community to continue their own initiatives with funding from the private sector and other local resources.

This Administration has supported and encouraged local communities to become involved with their own problems and to develop programs to meet the needs of their communities with their own resources.

QUALITY IN POSTSECONDARY EDUCATION

Question: What can the Fund do about problems of quality in postsecondary education?

Answer: FIPSE projects have been attempting to improve educational quality in the following ways: by supporting improvements and innovations which are learner-centered; by avoiding duplication to support model innovations which others can replicate; and, by supporting the development of educational technologies and teaching techniques that assist people to learn through various ways and methods.

DISSEMINATION

Question: What provisions do you make to ensure that institutions around the country hear about Fund projects?

Answer: Dissemination of information is conducted in several ways: small dissemination grants are awarded each year; annual project directors' meetings are held to exchange ideas which usually have strong outreach effects, and through various kinds of publicity.

Question: How many proposals have you received this year compared to prior years? Considering the stringency with which all Federal budgets must be treated, is your request for 1983 adequate to handle these levels of postsecondary need.

Answer: For the Comprehensive Program we received 2,246 proposals for the 60 to 65 grants that will be available. We received 489 proposals in the Mina Shaughnessy Scholarship competition for 16 grant awards; and 45 proposals in our Final Year Dissemination Competition for 11 available grants. We feel that the $11.9 million for 1983 will be adequate to handle the needs of our program.

MINA SHAUGHNESSY SCHOLARS

Question: The Fund has been providing grants to the Mina Shaughnessy Scholars program for three years. What exactly are these grants used for?

Answer: The Mina Shaughnessy Scholars Program, jointly supported by the Carnegie Corporation, provides support to individuals to engage in activities which will significantly advance our knowledge of practical solutions to problems in postsecondary education. Unlike traditional fellowships, stipends, or grants that support academic research, this program supports scholarships based on actual practice that will produce products to benefit practitioners and policy-makers in the improvement of postsecondary educaton.

Question: What notable achievements have grantees made?

Answer: All Shaughnessy Scholars are practicing educators who have made major improvements in their local institutions. With this award, they can further contribute by writing books or developing other products which further develop and share their ideas. As yet, there are no tangible products, since the first group of grantees are still completing their projects.

Question: What portion of the fiscal 1982 budget would be used for this program? What part of the proposed fiscal year 1983 budget would be used for this program?

Answer: In 1981, the Fund spent approximately $250,000 for the Mina Shaughnessy program. For fiscal years 1982 and 1983, we are planning to spend the same amount as in 1981 which is approximately 2% of the Fund's total budget. The Carnegie Corporation of New York is co-funding the program and has contributed $100,000 for 1981 and 1982 and will contribute $50,000 for 1983.

COMPREHENSIVE PROGRAM

Question: What issues will be covered in the "targeted competitions" category for fiscal year 1983 by the Fund?

Answer: We are planning to continue the Comprehensive Program which addresses a full range of postsecondary issues which include improvement in the quality of education, development of new educational goals, integration of education and work, initiatives which will develop partnerships between schools and business, improving educational programs in telecommunications systems and addressing a variety of problems now facing community colleges.

CRITERIA FOR FUNDS

Question: How do the criteria used by the Fund for receiving and reviewing grant applications differ from those in place for other Department of Education programs?

Answer: During the Fund's review process, applicants are evaluated on both the significance and feasibility of their proposed projects. To judge significance reviewers evaluate the ultimate benefit to learners, the usefulness to others beyond that particular project, cost-effectiveness, importance of the problems addressed, and importance of the improvement proposed. To judge feasibility, reviewers evaluate whether the applicant has the capability and commitment to carry out the project.

The most unusual feature of the Fund as compared with other education programs is its broad mandate, allowing a unique capacity to respond to needs and problems as they arise. We view postsecondary education as a system involving related concerns, and within that system the Fund's mission of improvement requires strategic choices to establish and pursue priorities. The whole portfolio of Fund projects thus represents an agenda for improvement which could not be derived from more categorical approaches.

DISSEMINATION GRANTS

Question: The Fund supports a number of dissemination grants, to allow grantees to make information or ideas they have developed available to a broad range of institutions. In fiscal 1982, what portion of the budget was used for dissemination grants? In fiscal 1981?

Answer: In fiscal year 1981 and 1982 approximately $700,000 or 0.7 percent was used for dissemination grants.

Question: How are grantees selected for dissemination grants?

Answer: In choosing grantees in this competition, we look for projects that have something useful to say to other institutions, in combination with a feasible, inexpensive plan to carry out that intention. The dissemination activity cannot duplicate plans in the original grant.

Question: Cite examples of projects which were chosen for dissemination grants.

Answer: This year a disseminaton grant went to the University of Iowa. A unit called CONDUIT has been working in various ways to increase the utilization of computer-aided instruction around the country, supported in part by a three year grant from the Fund. A prior grant supported the development of a manual for faculty members designing computer-aided intruction to ensure high program quality and to help the faculty design programs that would run on more than one brand of computer. Preliminary work with the manual indicated that the book by itself was not enough to help novice faculty use computers in instruction. The dissemination grant is enabling CONDUIT to develop and field-test a freestanding workshop that professional societies can use at their annual meetings. It will assist faculty attending these meetings to understand the use and design of computer-aided instruction.

Another dissemination grant went to Loyola University in Chicago. Loyola's project pioneered a new set of services to faculty, such as, assisting faculty to re-examine their career goals through skill assessment. The project had elicited considerable national interest, and the grant enabled Loyola to sponsor a five-day conference for twenty-four participants from around the country, to help them learn to adapt the Loyola plan to local circumstances. The conference emphasized hands-on experience in operating such career development centers.

SUBCOMMITTEE RECESS

Senator SPECTER. We regret the necessity for interrupting you here, and we appreciate your coming back.

The subcommittee will stand in recess subject to the call of the Chair.

[Whereupon, at 4:25 p.m., Tuesday, March 23, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

THURSDAY, MARCH 18, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m. in room 1223, Everett McKinley Dirksen Senate Office Building, Hon. William Proxmire presiding.

Present: Senators Proxmire and D'Amato.

DEPARTMENT OF EDUCATION

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

STATEMENT OF DR. WILLIAM CASTLE, DIRECTOR

GALLAUDET COLLEGE

STATEMENT OF DR. EDWARD MERRILL, JR., PRESIDENT

AMERICAN PRINTING HOUSE FOR THE BLIND

STATEMENT OF DR. CARSON Y. NOLAN, PRESIDENT

SUBCOMMITTEE PROCEDURE

Senator PROXMIRE. This morning we will continue with our hearings on the fiscal year 1982 supplemental and rescission requests and the fiscal year 1983 budget for the special institutions and salaries and expenses for the Department of Education program administration; also the Office of Civil Rights and the Office of the Inspector General.

I am delighted that my distinguished colleague from New York, Senator Al D'Amato, is here, and I understand that he wishes to introduce a witness. So I'll recognize the Senator from New York.

INTRODUCTION BY SENATOR D'AMATO

Senator D'AMATO. Thank you very much, Mr. Chairman.

It's with great pride and pleasure this morning that I introduce two men, who through their dedication and service, have helped the deaf join the mainstream of American life: Dr. William Castle, the Director of the National Technical Institute for the Deaf; and Dr. Edward Merrill, Jr., President of Gallaudet College.

NTID at the Rochester Institute of Technology in New York has provided countless deaf students with a variety of support services ranging from direct classroom assistance to career development and job placement. Indeed, more than 98 percent of the NTID graduates are placed in jobs within 6 months after graduation. That is an impressive record, particularly when we consider what the consequences might have been and in all probability would have been for these people were there no NTID and its services.

In addition, NTID serves the deaf throughout this Nation and the world through its comprehensive outreach programs and excellent publications.

Recently I had a great opportunity, a wonderful opportunity to visit NTID and was extremely impressed with the quality of its program for its students.

Gallaudet College here in Washington, D.C., has enjoyed similar success in its long history of service to the deaf. The liberal arts curriculum, which Gallaudet offers, enhances the intellectual development of the students and has earned the college worldwide recognition.

In addition, Gallaudet prepares teachers and other professionals who work with the hearing impaired and conducts an extensive research effort which focuses on the problem of deafness. As an honorary member of the boards of both institutions, I strongly urge this committee to carefully review the excellent record of accomplishment of both of these fine institutions and to give them, even during these difficult budgetary times, all of the support which they so richly deserve. I believe that their performance demands the support of this committee.

Mr. Chairman, I must confess a bias in this area. When someone is touched with a member of a family, my little niece, my brother's daughter, who is deaf, it has a profound impact on one's perspective. It makes one appreciate even more what a tremendous opportunity institutions such as NTID and Gallaudet offer our deaf brothers and sisters to participate in the mainstream of American life and what a difference that can make.

So I share that with you and I just commend to you, Mr. Chairman, and to your leadership, that hopefully we will find the wherewithal to see that these institutions and their work are not impaired as a result of the difficult budget constraints that we will be facing but, if anything, will be strengthened. I believe these are dollars well spent and I thank the chairman for the opportunity to speak.

Senator PROXMIRE. Thank you very much, Senator D'Amato, for a very moving statement and we greatly appreciate it.

Now we'll turn to the testimony from three of our special institutions: the National Technical Institute for the Deaf, the American Printing House for the Blind, and Gallaudet College.

Now correct me if I'm wrong, sometimes these things are not accurate. You're Dr. William Castle, director, National Technical Institute for the Deaf?

Dr. CASTLE. Yes.

Senator PROXMIRE. Dr. Edward Merrill, president of Gallaudet College?

Dr. MERRILL. Yes.

Senator PROXMIRE. And Dr. Carson Y. Nolan, president of the American Printing House for the Blind, and Thomas P. Skelly, Office of Planning, Budget and Evaluation, Department of Education.

All right. We'll go right ahead. I guess our first statement is the National Technical Institute for the Deaf, Dr. Castle. We'll be happy to place your full text in the record. You can summarize it if you would like to do that. We would appreciate it very much.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

STATEMENT OF WILLIAM CASTLE, DIRECTOR

Dr. CASTLE. Very good, sir.

The fiscal year 1983 proposed appropriation for the National Technical Institute for the Deaf is at the level of $26,297,000. This is $1,049,000 over the current continuing resolution for fiscal year 1982. The fiscal year 1982 appropriation passed by the House was at the level of $26.3 million and also was passed by the Senate Committee on Appropriations, but as we know, there was a 4-percent cut as a result of the current continuing resolution and, therefore, that amount was reduced by $1,052,000.

The increases, represented by the level of $26,297,000 for fiscal year 1983, are virtually all built-in increases. They are $1,640,000 for personnel compensation; $1,038,000 for contracted services from the host institution for NTID which is the Rochester Institute of Technology; $1,090,000 for purchased services, materials, and specialized equipment needed for the training of the deaf students; and then there's an additional $10,000, as a programmatic increase, to add to our in-house grant-in-aid program which we have for our students. That is a total increase of $3,778,000.

This is balanced out with a decrease with respect to the fiscal year 1982 construction dollars of $2,729,000, with a net increase of $1,049,000.

PREPARED STATEMENT

Senator PROXMIRE. Thank you, sir. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF WILLIAM E. CASTLE

I am pleased to present to this Committee the fiscal year 1983 budget request for the National Technical Institute for the Deaf (NTID). The President's budget for 1983 reflects the proposal to eliminate the Department of Education and create a Foundation for Education Assistance. As part of that process, it is proposed that NTID be transferred to the Department of Health and Human Services. No funds are requested for NTID under the Foundation for Education Assistance.

As you know, the National Technical Institute for the Deaf at the Rochester Institute of Technology (NTID at RIT) was created by Congress to provide postsecondary technical education for the Nation's young deaf people to prepare them for successful employment. We are also involved in training professional staff to serve the Nation's deaf population and are conducting research into educational achievement, communications, personal/social instruction, economic and employment aspects of deafness. The 1983 budget request for the National Technical Institute for the Deaf is $26,297,000. This represents an increase of $1,049,000 above the 1982 level in the continuing resolution and will support activities such as career development, research, training, and information dissemination.

The amount approved by the full House and recommended by the Appropriations Committee of the Senate for 1982 is $26,300,000, but the continuing resolution has reduced that amount by four percent.

The specifics of our fiscal year 1983 request follow:

Operations

The entire appropriation of $26,297,000 is for operations and represents an increase in operational costs of $3,778,000 over the $22,519,000 available for that purpose in 1982. By virtue of the Agreement between the Department of Education and the Rochester Institute of Technology all of the increase except $10,000 for increased Grants-in-aid is considered to be built-in. The Agreement specifies that "NTID shall abide by the policies and procedures of the Sponsoring Institution (RIT)." The $1,640,000 increase in personnel compensation and the $1,038,000 increase in contracted services are the products of policy decisions made by the sponsoring institution that uniformly affect the entire Institute of which NTID is an integral part. The remainder of $1,090,000 is required for purchased services and materials, part of which is to account for inflation and part to make up for budget cuts in fiscal year 1982 taken in equipment and supplies.

Career Development

The education provided at the National Technical Institute for the Deaf transcends that which is typically provided by a traditional technological institution by dealing with the personal and social and communication setbacks that the deaf may experience. Through a coordinated system of directed instruction and support services such as tutoring, notetaking, instructional technology development and career counseling, the Institute strives to offer educational programs geared to the specific needs of each student. This approach has proven highly successful since more than 98 percent of our graduates who seek employment have been placed in jobs within six months of their graduation. These same people pay back to the Federal Government in the form of taxes over 400% of the original investment in their education.

Research

NTID will continue to support applied research in the technical and general education of the deaf population. More specifically, research is conducted in the areas of speech, audiology, manual communication, visual information processing, use of the English language, personal/social accommodation, cognitive strategies, career development and decision-making, educational support services, instructional technology, the characteristics of NTID's target population, and the accommodation of graduates in the workplace. NTID will also focus a major effort on reporting NTID-proven products, procedures, and systems with broad-based impact to other organizations with deaf education responsibilities.

Training

Continued emphasis will be placed on training programs for professionals, graduates, interns, counselors, job placement specialists and interpreters. In 1982, NTID began an Associate Degree program for interpreters which will be expanded from 15 to 60 students per year. Training efforts at the Institute have increased significantly recently and will continue to increase as the existing programs are revised and refined, and as other educational institutions look to us for guidance in developing programs to comply with Public Law 94-142 and Section 504 of the Rehabilitation Act of 1973. Pre-service training for teachers of the deaf will continue in conjunction with the University of Rochester and in-service training will be provided through faculty exchanges, internships and fellowships.

Information Dissemination

NTID will improve deaf education nationally by sharing educational techniques and processess, research findings, and training techniques.

Among other products for dissemination, the award winning quarterly publication, Focus, is currently distributed to more than 17,000 professionals in deaf education, business, and government providing them with a greater awareness and appreciation of the capailities of our Nation's deaf citizens. Also our Product Catalogue, featuring NTID produced research and teaching materials, has received an outstanding response.

In summary, the 1983 request is designed to continue the National Technical Institute for the Deaf's commitment to the achievement of equal opportunities for the handicapped. In the Institute's brief history, it has been shown that young deaf adults can overcome the consequences of their handicap and become contributing members of society.

Although this budget level will not enable us to accommodate our full share of the increase in number of young deaf people due to the 1963-65 rubella epidemic, we have developed alternative strategies that will allow us to accommodate approximately 100 additional deaf people who will look to NTID for their postsecondary education. This is less than our original plan of 300 qualified rubella students, but facility and operational resource constraints will force us to lower our sights. We are, however, looking at this positively and will proceed with your support.

Mr. Chairman, I will be pleased to answer any questions you may have.

BIOGRAPHICAL SKETCH

NAME:	William E. Castle
POSITION:	Vice President - Rochester Institute of Technology Director - National Technical Institute for the Deaf
BIRTHPLACE AND DATE:	Watertown, South Dakota; September 5, 1929
EDUCATION:	Northern State Teacher College, 1951, B.S. State University of Iowa, 1958, M.A. Stanford University, 1963, Ph.D.
EXPERIENCE:	
1979 - Present	Vice President - RIT, Director - NTID
1969 - 1979	Dean and Director, NTID
1968 - 1969	Assist. to the V.P. & Director of Division of Instructional Affairs, National Technical Institute for the Deaf
1965 - 1968	Assoc. Secretary for Research & Scientific Affairs, American Speech and Hearing Association
1963 - 1965	Assistant Professor, Speech Pathology & Audiology, University of Virginia
1961 - 1963	Instructor, English, Experimental Phonetics Lab, Stanford University
1961 - 1961	Instructor, Speech Correction, Central Washington State College
1960 - 1961	Instructor, English, Experimental Phonetics Lab, Stanford University
1958 - 1960	Instructor, Speech Correction, St. Cloud State College
1956 - 1956	Customers Broker, Frank P. Dow Company
1952 - 1956	Communications Specialist, United States Air Force
1951 - 1952	Secondary Teacher, English & Speech, Faulkton High School
ASSOCIATION MEMBERSHIPS:	Academy of Rehabilitative Audiology Acoustical Society of America Alexander Graham Bell Association for the Deaf, Inc. (Life Membership) American Association for the Advancement of Science American Association of Community and Junior Colleges American Association of Higher Education American Association of Phonetic Sciences American Association of School Administrators American Deafness and Rehabilitation Association

GALLAUDET COLLEGE

STATEMENT OF DR. EDWARD MERRILL, JR., PRESIDENT

Senator PROXMIRE. Our next witness is Dr. Edward Merrill.

Dr. MERRILL. Thank you, Mr. Chairman.

I will ask that the opening statement be placed in the record and I will summarize it.

PREPARED STATEMENT

Senator PROXMIRE. Yes, it will be placed in full in the record, without objection.

[The statement follows:]

STATEMENT OF EDWARD C. MERRILL, JR.

I am pleased to present to this Committee on behalf of the Department of Educatin the fiscal year 1983 budget request for Gallaudet College, including the Model Secondary School for the Deaf (MSSD) and the Kendall Demonstration Elementary School (KDES). The President's 1983 budget requests $52,000,000 for activities presently in the account for Gallaudet College. The budget proposess that these activities be funded under the Department of Health and Human Services. No funds are requested for Gallaudet College under the Foundation for Education Assistance.

The fiscal year 1983 request of $52,000,000 is for operations, and is an increase of $2,080,000 over 1982. This request will support $4,057,000 in built-in increases, including $2,727,000 for faculty and staff compensation increases, $530,000 to operate facilities to serve rubella students at the Northwest Campus (formerly Marjorie Webster Junior College) and $800,000 to meet increased utility costs. The program increases in the fiscal year 1983 budget request are limited to $501,000 for College programs. These requested increases of $4,558,000 will be offset by a decrease in construction funds of $1,600,000 and a decrease in general institutional support of $878,000 producing a net increase of $2,080,000.

In the fall of fiscal year 1983, Gallaudet College expects to enroll the first wave of students born during the tragic rubella epidemic of 1964-65 which resulted in more than double the usual number of children born deaf. This budget request coupled with reductions of institutional support activities will enable the College to serve 191 additional students in fiscal year 1983 or 85 percent of the students projected to be seeking admission to Gallaudet College at that time. In order to free funds within the institution to serve these students the College has greatly reduced funding for travel and outside contracts, reduced the level of custodial services campus-wide, eliminated growth in the graduate programs, curtailed enrollment of foreign students and increased the workload of the maintenance and operations department. These reductions will have a negative impact on the operation of the institution, but we feel we must accept these tradeoffs in order to serve the greatly increased number of deaf 18-- and 19-year-olds in fiscal year 1983. It would, indeed, be a double tragedy if these young people who had the misfortune of being born deaf as a result of the rubella epidemic also had the misfortune of being denied the opportunity to obtain a college degree.

The College

The level of funding requested will enable the College to make the Northwest Campus operational and to recruit the minimum number of faculty and staff to serve an additional 191 students. The request includes $323,000 for new faculty and $118,000 for student services personnel. In the area of Public Services, the College is requesting an increase of $60,000 to expand extension services in cooperation with other colleges in order to increase the services available nationwide for students who do not come to Gallaudet College. These funds will enable the College to provide a variety of services to an additional 1,000 Public Service program participants.

Model Secondary School for the Deaf and Kendall Demonstration Elementary School

There are no program increases requested for MSSD and KDES. The enrollments in these two schools will remain at fiscal year 1982 levels.

In summary, the Congressional transfer of the Marjorie Webster Junior College property to Gallaudet College and the increases requested above, coupled with other program reductions, will enable Gallaudet to serve 85 percent of the students seeking admission to the College in fiscal year 1983. All programs other than those serving undergraduate students will continue at or below the fiscal year 1982 level.

Biographical Sketch

NAME : Edward C. Merrill, Jr.

POSITION : President, Gallaudet College

BIRTHPLACE AND DATE : Asheville, North Carolina; January 29, 1920

EDUCATION : University of North Carolina, 1942, B.A.
University of Tennessee, 1948, M.S.
George Peabody College for Teachers, 1953, Ph.D

EXPERIENCE

Present	President, Gallaudet College
1961-1969	Dean, College of Education, University Tennessee
1960-1961	Professor of Education, University of North Carolina
1957-1960	Associate Dean for Graduate Studies, University of Rochester
1955-1957	Associate Professor of Education, Auburn University
1953-1957	Assistant Professor of Education, George Peabody College
1948-1951	Assistant Principal and Teacher of English, Lee Edwards High School, Asheville, North Carolina
1946-1947	Instructor in Englilsh, Asheville-Biltmore College, Asheville, North Carolina

MILITARY SERVICE: Army of the United States ETO, W.W. II (Three Years)

ASSOCIATION MEMBERSHIPS : National Association of Hearing and Speech Agencies
Higher Education Group of Washington, D. C
Conference of Education Administrators Serving the Deaf
Convention of American Instructors of the Deaf
National Association of the Deaf
Professional Rehabilitation Workers with the Adult Deaf
American Association of School Administrators

Phi Delta Kappa (fraternal society for men in education)
Phi Kappa Phi (society recognizing scholarship)
President's Committee on Employment of the Handicapped

PUBLICATIONS (Selected) : Administrative Behavior in Education. Campbell and Gregg, eds., "The Individual and Administrative Behavior," co-author of Chapter 9, New York: Harper and Brothers 1957

Better Teaching in School Administration (editor). Southern States Cooperative Program in Educational Administration, Nashville: McQuiddy Press, 1955

Professional Student Teaching Programs Danville: Interstate Printers and Publishers, 1967 (revised 1973) "Dare a Liberal Arts College Serve a Special Purpose?" Liberal Education. Washington, D.C., Vol. LVIII, No. 3, October, 1972 " A Perspective on Higher Education, "American Annals of the Deaf. Washington, D.C., Vol. 117, No. 6, December, 1972

LONG AND POSITIVE RELATIONSHIP

Dr. MERRILL. Gallaudet College has enjoyed a long and positive relationship with the U.S. Congress and the college is working hard to be responsive to funding priorities. We have made painful internal decisions to reduce services and to eliminate all program growth except that directly related to serving undergraduate students.

The congressional transfer of the Marjorie Webster Junior College property to Gallaudet and the net increase of $2,080,000, or a net increase of 4.2 percent, coupled with other program reductions, will enable Gallaudet College to serve 85 percent of the students seeking admission to the college in the fiscal year 1983.

All programs other than those serving the undergraduate students, including the Model Secondary School for the Deaf and the Kendell Demonstration Elementary School, will continue at or below fiscal 1982 levels.

This, Mr. Chairman, is the summary I'd like to submit.

Senator PROXMIRE. Thank you very much.

Dr. Nolan.

AMERICAN PRINTING HOUSE FOR THE BLIND

STATEMENT OF DR. CARSON Y. NOLAN, PRESIDENT

Dr. NOLAN. Yes, sir. I'd like to submit my written request for the record and summarize it as follows:

Our request for fiscal 1983 is $4,924,000, which is an increase of $124,000 over the previous year. Of this amount, it's broken down into three categories. The largest amount, $4,584,000, which is an increase of $115,000 over last year, is for educational materials. This money will serve 37,600 legally blind students with supply materials. That's an increase of 1,700 students over last year, a 4.7-percent increase. I might add, which results in an amount for each student, a per capita amount, of $122.18, which is actually a decrease over what we had last year because our funding is relatively constant yet the number of children continues to increase.

A second part of our request deals with our advisory committees, the vehicle that we use to inform our consumers under the act of what is available to them and that we use to enable them to tell us what to do with the money. We are asking for $90,000, which is an increase of $3,000 over last year.

The last category is for educational and technical research. The request is for $250,000, an increase of $6,000 over last year. This category is particularly important. Since the advent of Public Law 94–142, there's been a tremendous influx of severely, multihandicapped blind children into our system. There were no materials for these students prior to 1970 and we have had a tremendous job of developing these materials to provide educational opportunities for this group. Thank you.

[The statement follows:]

STATEMENT OF CARSON Y. NOLAN

The American Printing House for the Blind was chartered by the Commonwealth of Kentucky in 1858 for the nonprofit manufacture of books and educational aids for use in education of blind children in special schools for the blind. In 1879 the Congress passed an Act, "To Promote the Education of the Blind", which enables the Printing House to provide educational materials for all blind children throughout the United States, its territories, and possessions through the secondary school level.

The President's 1983 budget requests $4,924,000 for acitivities presently in the account for the American Printing House for the Blind. The budget proposes that these activities be funded under the Departments of Health and Human Services. No funds are requested for the American Printing House for the Blind under the Foundation for Education Assistnce.

Educational Materials

The request of $4,584,000 for educatioal materials is an increase of $115,000 over the 1982 level and will supply an estimated 37,600 students, which includes 1,700 additional blind students over the 1982 base (35,900), with these materials. The increase in the number of eligible students is 4.7 percent.

Advisory Committees

The request of $90,000 for expenses related to advisory committees and field representatives is an increase of $3,000 over 1982. The funds will enable these committees to continue to evaluate and recommend annually to the Board of Trustees the necessary educational materials and aids to be developed and to be produced. The funds will enable American Printing House for the Blind field representatives to continue to assist teachers throughout the country in the use of aids and materials available under the Act.

Educational and Technical Research

The request of $250,000 for educational and technical research is an increase of $6,000 over the 1982 level. These funds will serve as a base to enable the Printing House to develop needed educational materials in a variety of subject areas such as reading, mathematics, science, and for special groups such as the multi-handicapped blind. The funds will also support materials developed through research in such areas as perceptual development and cognitive development.

The American Printing House for the Blind continues to serve a growing complex group of blind chidren with a wide variety of educational materials in many different forms. As of January 1981, 27,467 legally blind children were registered through State departments of education, 6,583 were enrolled in residential schools, and 2,347 were in rehabilitation programs. Of this group, 5,588 read braille, 13,124 read large type, and 16,599 used other media for reading. There were 2,013 students who were deaf-blind.

The Printing House produces new educational materials and aids each year. In addition, it reprints and reproduces materials already in its catalogs as new supplies are needed. Last year we carried a finished goods inventory of over $3,000,000. We published the following catalogs:

> Braille Publications, Large Type Textbooks, Educational and Other Aids, Braille Musical Publications, and Recorded Materials (both records and cassette tapes).

Progress was made in several areas last year which should improve our ability to promote the education of the blind:

- We restructured the management of our publishing, manufacturing, and and marketing operations.
- We reduced the number of our advisory committees from three to two.
- We continued to modernize our plant.
- We initiated distribution of several strong products including the Program to Develop Efficiency in Visual Functioning, the Tactile Graphics Kit, the Variable Intensity Study Lamp, and additional levels of Patterns, our primary braille reading curriculum.
- We continued our program to develop materials for severely multi-handicapped students.

Review of our work reveals steady progress in meeting the educational needs of blind children. With respect to the current year, we are on schedule in production to meet our commitments to the schools for the school year beginning in September 1982. I am

I am providing the Committee with catalogs and copies of the Annual Report of the American Printing House for the Blind for 1981 which give a complete account of Printing House activities as well as the work of the advisory committees.

Mr. Chairman, I would be glad to answer any questions you may have.

BIOGRAPHICAL SKETCH

NAME : Carson Y. Nolan

POSITION : President
American Printing House for the Blind

BIRTHPLACE AND DATE : Indianapolis, Indiana; October 21, 1925

EDUCATION : University of Kentucky, 1950, B.A. and M.S.
Washington University, 1953, Ph.D.

EXPERIENCE

Present : President, American Printing House for the Blind
Louisville, Kentucky

1976-1979 : Vice President and General Manager
American Printing House for the Blind

1958-1976 : Director, Department of Educational Research
American Printing House for the Blind

1960-1972 : Adjunct Associate Professor, Department of Phychology University of Louisville

1956-1958 : Research Scientist, Human Resources Research Office, Fort Knox, Kentucky

1953-1956 : Director, Field Unit 1, Air Force Personnel and Training Research Center, Forbes Air Force Base, Kansas

ASSOCIATION MEMBERSHIPS : Association of Education of the Visually Handicapped
American Educational Research Association
Council Exceptional Children

PUBLICATIONS : Over 100 professional monographs, chapters and articles

IMPACT OF BUDGET CONSTRAINTS AND RUBELLA EPIDEMIC OF 1963-65

Senator Proxmire. Thank you very much.

Mr. Skelly?

Mr. Skelly. I have no separate statement.

Senator Proxmire. All right. Fine. Dr. Castle, in your testimony you said the budget level of $26,297,000 proposed for next year will not enable the Institute to accommodate its full share of the increase of young deaf students due to the rubella epidemic of 1963–65. Is that right?

Dr. Castle. That's right.

Senator Proxmire. What level did you request of OMB for fiscal year 1983?

Dr. Castle. We dealt with OMB through the Department of Education in terms of the authorized level. We are restricted to $26,300,000 by virtue of the 1981 reconciliation authorization for fiscal year 1983 and the Department did not propose anything beyond that.

Senator Proxmire. So you're really restricted by the authorization?

Dr. Castle. That's right.

Senator Proxmire. Are there other technical schools in the country which can accommodate these students?

Dr. Castle. There are other postsecondary programs in the country, most of which are community colleges and some of which do provide technical training. We are quite uncertain, however, whether or not these other programs are going to be able to accommodate the larger numbers of deaf students. Budget limitations are permeating the Nation and we predict it will be very difficult for these other programs to take in the young people that cannot come to NTID or Gallaudet.

Senator Proxmire. When will we know that? Not until after the year is up and it's a matter of history?

Dr. Castle. I think we will not know what the accommodation can be until the fall of 1983 when the first portion of the rubella bulge students begins to reach the postsecondary level.

BUDGET REQUIRED TO FULLY MEET PROJECTED ENROLLMENT

Senator PROXMIRE. How much would you need to accommodate projected enrollment increases?

Dr. CASTLE. We propose for the fiscal year 1982 budget a need of $32,811,000 and our original proposal with respect to fiscal year 1983 at that time as we were projecting ahead was at the level of $32,459,000.

Senator PROXMIRE. That's when you appeared before the authorization committee? OMB has constrained them to $26,300,000.

Dr. CASTLE. The fiscal year 1982 proposal of $32,811,000 was accepted by the Department, OMB, and the appropriation subcommittees of both Houses of Congress, but was held to $26,300,000 by the 1981 reconciliation authorization. Our original proposal for fiscal year 1983 to the Department before we had an authorization level set was $32,459,000; that may have been a better answer to your first question.

Senator PROXMIRE. That certainly answers my last question as to how much you would need to accommodate the the projected enrollment. It was $32.5 million?

Dr. CASTLE. $32,459,000 for 1983, $32,811,000 for fiscal year 1982.

STUDENTS NOT ADMITTED DUE TO RESOURCE CONSTRAINTS

Senator PROXMIRE. How many applicants were not admitted last fall because of facility and resource constraints?

Dr. CASTLE. It was a small number of 20.

Senator PROXMIRE. Twenty?

Dr. CASTLE. We anticipate the number will increase this coming year to at least 40, probably more, and if we then are not able to accommodate the rubella bubble in the fall of 1983 there will be over 470 young people turned away.

Senator PROXMIRE. Now how many did you admit? You say there were about 20 you could not admit because you didn't have the facilities.

Dr. CASTLE. That's right. The number admitted was 340.

Senator PROXMIRE. And you think it could be as high as 470——

Dr. CASTLE. By the fall of calendar year 1983.

Senator PROXMIRE [continuing]. Denied admission in the fall of 1983?

Dr. CASTLE. When the rubella bulge in student number requires attention, we believe we are going to have to turn away as many as 470 young people by the fall of calendar year 1983.

SUPPLEMENTAL BUDGET REQUEST FOR FISCAL YEAR 1982

Senator PROXMIRE. Did you ask for a 1982 supplemental to restore your cut?

Dr. CASTLE. We did not because it was our understanding that no supplemental would be entertained. We would like to request a supplemental and we will begin the proposal.

Senator PROXMIRE. You will?

Dr. CASTLE. Yes.

COMPETITIVENESS OF PERSONNEL COMPENSATION

Senator PROXMIRE. Dr. Castle, less than 1 percent of the $3.7 million increase in operational costs will be used for grants in aid. As you said this morning, all of the increase except $10,000 for these grants will be used for built-in expenses such as personnel compensation.

Dr. CASTLE. That's right.

Senator PROXMIRE. How do you determine whether or not the institutional salary levels are competitive?

Dr. CASTLE. We examine that every year. In fact, the examination is done by the host institution, the Rochester Institute of Technology. It has been known for several years that we lag behind at least those other technical institutions which are our primary competitors. However, in the past 5 years we have managed to move the salary levels of faculty into the upper quartile for all colleges and universities, which is a goal we set for ourselves 5 years ago. We have accomplished that goal and the proposed salary increment for the coming year is 9.5 percent.

NECESSITY FOR RESEARCH ON THE PREMISES

Senator PROXMIRE. Why is it necessary for the Institute to have its own research institute?

Dr. CASTLE. The legal guidelines for the National Technical Institute for the Deaf mandated that it undertake a program of applied research designed to increase the accommodation of deaf people all over the world as well as this Nation in terms of their economic, educational and social accomplishments.

Senator PROXMIRE. And you can only do that in your own research facility? You see, my question was, Why did the Institute have to have its own research institute?

Dr. CASTLE. Well, we don't have a research institute per se. We have a program of research which has developed over the last 14 years by virtue of the mandate and the guidelines.

Senator PROXMIRE. And you think that couldn't be done outside your own?

Dr. CASTLE. The kind of research we are accomplishing could not be done elsewhere. Much of it is related to our curriculums and all of it is dependent on the numbers of deaf students we have with us.

Senator PROXMIRE. That's what I was looking for.

Dr. CASTLE. Right.

Senator PROXMIRE. The population you have is essential for any effective research?

Dr. CASTLE. Exactly, and the critical mass of deaf students is important.

Senator PROXMIRE. Dr. Merrill, you indicate that the need to expand student capacity is due to the rubella epidemic of 1963–65.

Dr. MERRILL. Yes, sir.

Senator PROXMIRE. Please describe the effect of this epidemic on your anticipated enrollment and how you arrived at your projections.

Dr. MERRILL. The Gallaudet College has an Office of Demographic Studies, so for some years now we have been charting the progress of these rubella children. They are there. We know they are there. We have had head counts. We know much more about them. We know the level of achievement. So we can expect enrollments to increase at Gallaudet and NTID as a result of this.

We projected an increase of 191 students above the normal number. We accept around 300, so we are anticipating in the fall of 1983 accepting, by tightening our belt, about 490 to 500 of these students. This would be 85 percent of the students we originally planned to serve and it would put us in the position of turning down qualified students for the first time in the history of the college.

The next year, however, fiscal year 1984, we would expect another wave of these students and we would need to accept many more. We will then be in the position of turning down over half of the students we would have planned to admit to Gallaudet College.

Senator PROXMIRE. Have you been constrained by the authorization?

Dr. MERRILL. Yes, sir; we have.

Senator PROXMIRE. What did they say when you pointed this out to them, the rubella epidemic and the effects it would have?

Dr. MERRILL. We found a great deal of sympathy with this and——

Senator PROXMIRE. Not enough to get the appropriation up to the levels you needed?

Dr. MERRILL. Well, we requested at that time $61.5 million to prepare for and be able to meet this need. As a matter of fact, the reconciliation amendments limited us to $52 million. Senator Helms, for example, introduced on the floor of the Senate an amendment to raise this level. It did not pass. I think it failed by about 34 to 62 or something like that. At any rate, there's a great deal of sympathy.

Senator PROXMIRE. Senator Helms on the floor of the Senate?

Dr. MERRILL. Yes, sir. He's very sympathetic as well as many other Congressmen are about the mission of the college, but these are difficult times and we understand this, but we are in a difficult position in trying to serve these students. They are early deafened, severely deafened. They are not good candidates for the mainstream. So we're the institutions that were developed for that purpose and we want to respond to that need.

SENATE AND HOUSE AUTHORIZATION LEVELS

Dr. CASTLE. May I add to that response?

Senator PROXMIRE. Yes, sir.

Dr. CASTLE. I think it's important to point out that our institutions were caught up in a foray. The authorization committee, the Subcommittee on the Handicapped, was restricted by the Senate Budget Committee to a given level of dollars and they needed then to decide how those dollars would be spread across the programs for which they had oversight responsibility.

Senator PROXMIRE. Was that the House or the Senate?

Dr. CASTLE. In both Houses of Congress, as a matter of fact. It was a matter of picking and choosing where the dollars might best be placed.

Senator PROXMIRE. You may have responded to this. I'm not sure. What's been the effect of the 4-percent reduction in your fiscal 1982 budget?

Dr. MERRILL. It's reduced the $52 million to $49,920,000. So it has meant that we have stopped all program growth. We have eliminated much travel, contracts, and things of this nature.

Senator PROXMIRE. Did you ask OMB for a supplemental to restore the cut?

Dr. MERRILL. No, sir; but we would like to do so.

Senator PROXMIRE. And you will do so?

Dr. MERRILL. Yes, sir.

Senator PROXMIRE. Do you believe Gallaudet College should be administratively placed in the Department of Health and Human Services as the President proposes for fiscal 1983?

Dr. MERRILL. This is the proposal and we are aware of this. We have not seen the proposal and have not studied it. Gallaudet College is an educational institution and we have always been within some Government agency concerned with education. So we would like to reserve our decision on this until we see what plan there is. We know there's congressional interest that the college be in the educational foundation.

Senator PROXMIRE. Now Gallaudet recently obtained the Majorie Webster Junior College in northwest Washington from the Federal Government?

Dr. MERRILL. Yes, sir.

Senator PROXMIRE. What's the value of that property?

Dr. MERRILL. The value of the property in its present condition is approximately $2 million—between $2 and $3 million; $1 million for the land, and the rest for the structures. It is an 8.7-acre plot, formerly a college, so it's very adaptable to our purposes. It has four houses and three large academic buildings—academic buildings and dormitories.

The property was originally acquired by the U.S. Government for the U.S. Fire Administration. They planned to put a fire academy there. They later built the academy elsewhere, so the property remained vacant. And when Gallaudet was cut, the congressional interest grew in shifting this property to us to meet some of our facilities needs and it will do that. We are preparing now to renovate this property so we can accept the rubella students if we acquire the operational funds.

Senator PROXMIRE. Was there any cost to Gallaudet in order to obtain the property?

Dr. MERRILL. None whatsoever, sir. We must raise between $7 and $8 million, however, to renovate it because it's in very bad condition.

Senator PROXMIRE. How will you use it?

Dr. MERRILL. We will put our beginning students there probably. It will be reasonably self-contained. The new students tend to need a more structured environment in the first place and we can do that without having a lot of back and forth between the northwest and northeast campus.

Senator PROXMIRE. You say in order to put it in shape it will take additional funds, but did the acquisition of the property enable you to ask for less direct Federal aid in fiscal 1983?

Dr. MERRILL. Yes. We would not have to ask for any construction at all.

Senator PROXMIRE. What's the projected enrollment for fiscal 1983?

Dr. MERRILL. The enrollment—we opened this year with 1,451 undergraduate and graduate students with 425 students in the model secondary school for the deaf and 183 students in the Kendell School and for the college we are projecting 491 new students for the next year or an increase of 191 college students.

Senator PROXMIRE. Well, it's an honor to have an opportunity to meet you, Dr. Merrill. We've heard many marvelous things about Gallaudet College and it's done great things throughout the years.

Dr. MERRILL. We appreciate your interest and the committee's interest.

SOURCES OF FUNDS FOR THE PRINTING HOUSE

Senator PROXMIRE. Dr. Nolan, you said last year that about 50 percent of your operating costs was derived from non-Federal sources. What are the sources of non-Federal funding for fiscal years 1982 and 1983?

Dr. NOLAN. Non-Federal sources include the magazines that we raise funds for, Readers Digest, Newsweek—we raise funds for these from the public, give the magazines to consumers without charge. We contract with a variety of secular and religious organizations to print literature of various kinds in braille and recorded form. We sell for cash many of our educational and other materials.

[CLERK'S NOTE.—The Department of Education inserted the following information to amplify their statement on sources of APHB operating costs:]

Our funding pattern for these years can best be predicted by fiscal year 1981. In that year 39 percent of our funding was provided through the Act To Promote Education of the Blind, 33 percent resulted from contract work performed for Federal agencies such as the Library of Congress and the Internal Revenue Service, and 28 percent from cash sales to schools and individuals, cost of publications of special editions of the Readers Digest and Newsweek magazines, and contract work for a large number of diverse organizations such as American Telephone and Telegraph, John Milton Society, American Bible Society, Jerry's Restaurants, Frontier Airlines, and the National Federation of the Blind.

Senator PROXMIRE. Would it be possible to increase the percentage of non-Federal money?

Dr. NOLAN. Well, of course, that's always possible. It's a matter of selling. But the real problem is in our educational materials area where we are, under the act, to promote the education of the blind, obligated to serve the legally blind children in this country, and half of our business that is educational is focused around this area.

[CLERK'S NOTE.—The Department of Education inserted the following information to amplify their statement on non-Federal support to the APHB:]

In October 1981, we began to increase our non-Federal support through increasing sales to private business and industry and foreign countries. However, increases of sales in these areas will not address the needs for education materials for the blind in this country. As indicated earlier, we do sell to local and State educational agencies for cash. However, many of these cash sales utilize funds from other Federal sources than the Act To Promote the Education of the Blind. Through better marketing procedures we will be able to attract more cash educational sales. However, it will not be possible to determine which of these is financed with local, State, or Federal funds.

Senator PROXMIRE. Well, I suppose I should have asked it this way. Are you satisfied that you're as aggressive as you can be in seeking non-Federal funds?

Dr. NOLAN. Now when you say non-Federal funds, are you talking about sales or are you talking about grants and other sorts of things?

Senator PROXMIRE. I'm talking about all non-Federal funds.

Dr. NOLAN. We are going to increase our selling efforts.

Senator PROXMIRE. Good.

Dr. NOLAN. And, of course, this will have an impact upon the Federal funds under the act because if we can increase our sales it means we can make more items than we now make and supply under the act and the cost per item will come down.

SUBMITTED QUESTIONS

Senator PROXMIRE. Very good. Well, gentlemen, thank you very, very much. I appreciate your testimony. It's very impressive. We will have some questions for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

ORIGINAL BUDGET SUBMISSION FOR FISCAL YEAR 1983

Question: Dr. Castle, in your testimony, you state that the budget level of $26,297,000, proposed for next year, will not enable the Institute to accommodate its full share of the increase of young deaf students due to the rubella epidemic of 1963-65. What level did you request of OMB for FY1983?

Answer: We requested $26,297,000. However, this was predicated on a previously legislated authorization level of $26,300,000 in the Reconciliation Act, passed in the summer of 1981. Our original submission to the Department of Education, before reconciliation, was $32,459,000 for fiscal year 1983.

FUNDS NECESSARY TO ACCOMMODATE INCREASED ENROLLMENT

Question: How much would you need to accommodate projected enrollment increases?

Answer: We had originally asked for $32,811,000 in fiscal year 1982 of which $9,240,000 was for construction and the remainder was for operations. For fiscal year 1983 we had asked for $32,459,000 which was all for operations. The Reconciliation Act of 1981 basically affected us in two ways. It limited our capacity by reducing our construction project to $2,729,000 in fiscal year 1982 and limited our human resources by reducing operations in fiscal year 1983 to $26,297,000, the budget you have before you now. So to answer the question of what do we need to accommodate projected enrollment increases, we can say with much assurance that a restoration to our original levels requested is our best estimate. We had spent over three years analyzing the situation, and nothing significant has changed to cause us to alter our estimates.

ENROLLMENT

Question: Dr. Castle, what is the present enrollment of the institute?

Answer: There are currently 964 deaf students enrolled on our campus.

SUPPLEMENTAL FOR FISCAL YEAR 1982

Question: Of the four Special Institutions, all of which received four percent cuts last year, the President is requesting only one fiscal year supplemental, which is for Howard University, to restore the four percent cut. Did you request a supplemental for fiscal year 1982 to restore your cut? If not, why not?

Answer: No, we did not request a supplemental. We were told that supplementals were not being entertained by the Office of Management and Budget. We did not know that Howard University had requested one. Had we known we would have done the same thing.

STUDENT/FACULTY RATIO

Question: What is the student/faculty ratio?

Answer: It is currently approximately eight to one.

Question: How does that compare to similar facilities elsewhere?

Answer: It is the average ratio for educational programs serving the deaf.

TUITION, ROOM, BOARD and FEES

Question? What is the cost of tuition and fees?

Answer: The costs at NTID for fiscal year 1983 will be as follows for the academic year:

Tuition	$ 984
Room	849
Board	1449
Fees	222
Total	$3504

GRANT-in-AID

Question: What purposes do the grants-in-aid serve?

Answer: Grants-in-aid are provided for students who cannot otherwise afford to pay the full cost of attending NTID. By policy established in 1969 by the Department of Health, Education and Welfare, no qualified student should be denied admission to NTID due to inability to pay.

RESEARCH

Question: Do you coordinate your research with the Department of Education's activities in this area?

Answer: Yes, the Director of our Office of Integrative Research is regularly in touch with persons who monitor the Department of Education's involvement in Special Education Research. This effort is in the interest of not duplicating research being done elsewhere.

COST PER STUDENT

Question: For the record, please provide a breakdown of the cost per student -- institutional and instructional -- for the last fiscal year.

Answer: NTID serves students through six major program areas: 1) technical degree programs in career areas for deaf students at the certificate, diploma, associate, bachelor, and master levels; 2) an educational extension program; 3) interpreter and tutor/notetaker training for persons preparing to become professional interpreters; 4) graduate internships; 5) in-service training programs for graduate students, faculty and staff; and 6) short-term intensive training in which new methods, researched and developed for NTID, are presented to professionals in the education of the deaf and related fields. All other programs and populations are indirect or informal.

The tabulation of enrollment numbers attributable to these six programs' populations is computed in two ways: 1) deaf students in Degree Programs are tabulated by adding the total number of summer quarter students, multiplied by 0.3, to the total number of students enrolled during the academic year; 2) staff members participating in the in-service program are converted to full-time equivalents; and 3) the remaining populations are tabulated by adding the number of individuals enrolled in the respective programs.

Last year enrollments for each area were as follows:

CATEGORY	FY81
Technical and Professional Degree Programs (FTE)	1,137
Interpreter Training (Internal and AAS Program)	55
Tutor/Notetaker Training (Internal and External)	250
Graduate and Post-Graduate (Internships and Residents)	75
Staff Training	184
Workshops and Educational Extension (NCED and NPCE)	2,500
Total Students	4,116

The costs per student in fiscal year 1981 that you requested are as follows:

Institutional:

	FY81
Budget Authority	$20,205,000
Total Students	4116
Cost per Student	$ 4,932

Instructional:

	FY81
Instructional BA	$12,282,000
Technical and Professional Degree Program Students	1137
Cost per Student	$ 10,802

THE EFFECT OF RELAXING SECTION 504 GUIDELINES

Question: Dr. Castle, the Washington Post reported that the Justice Department is presently redrafting interagency guidelines to limit federal enforcement of Section 504 of the Rehabilitation Act which prohibits discrimination against the handicapped in federally funded programs. For example, the Department would narrow the definition of who is handicapped and remove the requirement that employers provide "equal opportunity" to the handicapped. What effect would this have on the school's graduates to find employment?

Answer: We do not know for sure what the effect would be. What we do know, however, is that our efforts in job placement for our graduates have always emphasized their qualifications for jobs not the fact of their deafness; and our job placement record for our graduates was as good before the implementation of Section 504 as it has been since that implementation.

CONSULTANTS AND TRAVEL

Question: Does the budget request include any funds for outside consultants or experts?

Answer: Yes, it includes approximately $450,000, which has been held relatively constant since fiscal year 1980 in spite of inflation. This has been a conscious program reduction.

Question: If so, what services will be provided that cannot be done in-house?

Answer: Some examples include special training programs for our professional staff, advisory group members from business and industry for updating curricula, computer systems expertise for developing data based information systems, architects to provide design for new and renovated facilities, special instructional systems that are based on current high technology, and special convocations for adding to the general education of our students.

Question: How about travel?

Answer: We are requesting $661,500 for travel in 1983. This is up from $463,000 in fiscal year 1980, but considering the soaring costs of transportation in those years, this fiscal year 1983 request is not a programatic change, but rather an inflationary adjustment. It is needed primarily to support our mandated nationwide efforts in student recruitment, graduate placement, training of new professionals, information dissemination and professional development.

GALLAUDET COLLEGE

Question: What is the percentage of increased anticipated?

Answer: The average pay increase for faculty and staff is 7.5%, 5% for a general increase and 2.5% for merit increases.

FINANCING BREAKDOWN

Question: What proportion of the total financing is derived from Federal appropriations?

Answer: In FY 1981 approximately 78% of the College's funds came from our Federal appropriation.

Question: Please provide the Committee with a schedule of its revenue for Fiscal 1981.

Answer: Gallaudet's source of funds in FY 1981 was as follows:

Appropriation	$26,829,000
Non-appropriation funds, student tuition & fees	1,544,460
Gifts & private grants	823,088
Endowment	169,575
Government & private grants	1,345,297
Auxiliary enterprises	2,930,253
Other sources	747,951
TOTAL	$34,389,624

COST PER STUDENT

Question: For the record, please provide the Committee with a breakdown of the cost per student--instructional and institutional--for the last fiscal year.

Answer: In FY 1981 the cost per student was $9,454, $8,100 for instruction and related activities and $1,334 for institutional support.

RUBELLA STUDENTS

Question: What companion services do you anticipate will be necessary for these students?

Answer: We plan to almost double our special services for multiply handicapped students including, for example, individual interpreters and companions for deaf/blind students.

Question: How many faculty and support staff do you anticipate hiring with these funds?

Answer: We will hire 24 faculty and 7 student services staff to serve these students.

TUITION

Question: What are the year's tuition and fees at the present time?

Answer: For the current academic year, the charge for tuition, fees, room and board is $3,096. In FY 1982 these fees will increase by 14% overall including a 25% increase in tuition.

EDUCATIONAL MATERIALS PROVIDED

Question: What type of educational materials do you produce?

Answer: We provide a wide variety of textbooks in braille, large type, and, to a limited extent, in recorded forms. We provide a variety of tools such as braillewriters that students require. We provide a wide range of specially designed educational aids that teachers use in instruction. We provide a variety of special educational supplies used in instruction of the blind. About 12,000 different items are included in our educational catalogs.

POPULATION TRENDS

Question: What does your annual census of legally blind children in the U.S.? Has your census indicated any trends in the numbers of blind children that we should be aware of?

Answer: Each January our ex officio trustees provide us with lists of legally blind students enrolled in formal educational programs in public schools, private-nonprofit schools, and residential schools throughout this country and its possessions. This census provides a variety of information about these students. One trend shown is that the number of eligible students increases by about 1600 each year. The number of braille readers appears to be stable and the number of large type readers is increasing slowly. The number of multihandicapped students who are nonreaders has been increasing dramatically over the last eight years. In 1970, we provided almost no materials for these students. Federal research and development funds obtained under the Act and from other sources have enabled us to develop a wide array of special materials which are now available for this group of students, however many additional materials are still needed.

STATE AND LOCAL SUPPORT

Question: How much of the total support for educational materials is provided by state and local resources? For the record, please provide the committee with a state breakdown.

Answer: About 10% of our total educational sales are made to states and local schools on a cash basis. We are not able to identify the source of these funds. Probably much is federal. A breakdown by states of cash purchases is as follows:

Alabama	21,145.87	New Hampshire	1,745.05
Alaska	16.50	New Jersey	6,727.35
Arizona	5,758.84	New Mexico	3,002.05
Arkansas	2,267.35	New York	12,367.27
California	114,611.26	North Carolina	8,074.35
Colorado	6,198.35	North Dakota	1,800.73
Connecticut	7,350.42	Ohio	10,427.13
Delaware	389.00	Oklahoma	2,754.85
Florida	9,897.82	Oregon	5,424.97
Georgia	16,788.45	Pennsylvania	10,265.27
Hawaii	6,022.51	Rhode Island	1,917.95
Idaho	387.95	South Carolina	4,312.85
Illinois	25,834.65	South Dakota	1,227.25
Indiana	8,028.90	Tennessee	26,515.89
Iowa	5,445.00	Texas	11,174.37
Kansas	9,129.65	Utah	4,110.41
Kentucky	18,425.85	Vermont	40.20
Louisiana	40,150.04	Virginia	6,689.89
Maine	1,463.10	Washington	2,248.14
Maryland	4,296.68	West Virginia	6,808.21
Massachusetts	3,241.80	Wisconsin	4,956.86
Michigan	15,460.12	Wyoming	206.50
Minnesota	2,969.11	Dist. of Columbia	799.45
Mississippi	5,192.98	American Samoa	
Missouri	5,278.64	Canal Zone	
Montana	264.17	Guam	
Nebraska	9,534.45	Puerto Rico	282.00
Nevada	628.75		
		Total	480,057.20

HOWARD UNIVERSITY

STATEMENT OF JAMES E. CHEEK, PRESIDENT

ACCOMPANIED BY:

CASPA L. HARRIS, JR., VICE PRESIDENT FOR BUSINESS AND FISCAL AFFAIRS

CARLTON P. ALEXIS, VICE PRESIDENT FOR HEALTH AFFAIRS

THOMAS P. SKELLY, DIRECTOR FOR BUDGET REVIEW, OFFICE OF PLANNING, BUDGET, AND EVALUATION

SUBCOMMITTEE PROCEDURE

Senator PROXMIRE. Our next witnesses are from Howard University. You gentlemen are seated a little differently, but stay right where you are. That's fine. Mr. Skelly is right over here again, the same Mr. Skelly, not a clone.

Mr. SKELLY. No statement.

Senator PROXMIRE. You're Mr. Caspa Harris, Jr.?

Dr. HARRIS. Yes, sir.

Senator PROXMIRE. And you're the Vice President for Business and Fiscal Affairs—Treasurer, Howard University?

Dr. HARRIS. That's correct.

Senator PROXMIRE. And you're James Cheek, President of Howard University; and you're Carlton P. Alexis, Vice President for Health Affairs, Howard University. All right. Fine.

I understand, Dr. Cheek, you have a statement.

Dr. CHEEK. Yes, I have an opening statement which, if you wish, I can submit for the record.

Senator PROXMIRE. We would appreciate it if you would just submit the statement for the record and then summarize it, and then we will proceed with questions.

Dr. CHEEK. Mr. Chairman, our request for Howard University for fiscal year 1983 is $145,200,000. This includes $123,094,000 for the academic program and $22,106,000 for the hospital. No funds are being requested for the construction program in fiscal year 1983.

We also have as a part of our request a 1982 supplemental amounting to $5,808,000 above the continuing resolution level of $139,392,000, and the purpose of the supplemental would be to bring the 1982 level back to the $145.2 million which was authorized in the reconciliation bill.

The increases we are seeking in the academic program area represent $10 million for built-in increases, and $3,500,000 for the enhancement of academic programs in four of our schools and colleges and the university libraries.

[The statement follows:]

STATEMENT OF JAMES E. CHEEK

On behalf of Howard University, its Board of Trustees, faculty, staff and students, I am pleased to have this opportunity to present to you our 1983 budget request.

Our request for 1983 is $145,200,000. This includes $123,094,000 for the academic program and $22,106,000 for the Howard University Hospital. No funds are requested for the construction program in fiscal year 1983. Also, a 1982 supplemental is proposed for $5,808,000 above the Continuing Resolution level of $139,392,000 to bring the 1982 level to $145,200,000.

Academic Program

For 1983, the University is requesting $123,094,000 for the academic program which represents an increase of $13,500,000 above the 1982 revised estimate. (The increase for this activity is offset by a corresponding decrease of $13,500,000 in the construction component.) Of these additional funds, $10,000,000 is requested for built-in increases and $3,500,000 for academic program improvements.

For built-in increases, we are requesting $4,680,000 for faculty salary increases averaging 8.0 percent; $3,720,000 for non-faculty salary increases averaging 6.0 percent; $600,000 for periodic step increases and promotions for non-academic personnel and $1,000,000 for partial support of our retirement program. We believe these increases are necessary to assure that salaries are competitive with comparable universities in order attract and maintain adequate and qualified staff members.

For academic program improvements we are requesting an increase of $3,500,040 which includes $2,296,000 for the University Library System; $492,000 for the School of Communications; $205,000 for the College of Allied Health Sciences; $200,000 for the School of Business and Public Administration, and $307,000 for the Graduate School of Arts and Sciences. These increases will assist in eliminating some of our academic deficiencies, particularly in the University Library System, by providing funds for reading materials, supplies and equipment. Accreditation reports continue to cite the fact that Howard has insufficient books, pamphlets and professional periodicals in its library system that support each of our schools and colleges as well as inadequate funds for supplies and equipment in the schools included in the request.

Howard University Hospital

Our request for the Howard University Hospital is $22,106,000 which is the same amount as the 1982 revised estimate. The University is not requesting additional funding for the operation of the Howard University Hospital at this time. The increased cost of operation of this facility will continue to be funded through increased patient revenue derived from better collection methods as well as increased fees for services.

Fiscal Year 1982 Supplemental

Howard University is requesting a 1982 supplemental of $5,808,000. Of this amount, $3,844,000 will support the Academic

Program by providing faculty and non-faculty salary increases, and making program improvements to meet accreditation deficiencies. In addition, $1,154,000 will cover an increased deficit in operating deficit in operating and medical costs at Howard University Hospital. We are also requesting $810,000 to complete construction of a classroom building for the School of Business and Public Administration which is currently located in a converted warehouse. Failure to provide a suitable building will result in the loss of accreditation for the School of Business and Public Administration.

Mr. Chairman, this concludes my opening statement. At this time, I would like to express, on behalf of the entire University, my sincere appreciation for the past support and consideration provided by you and members of the Committee. I will be happy to answer any questions that you or members of the Committee may have.

BIOGRAPHICAL SKETCH

NAME	:	James E. Cheek
POSITION	:	President, Howard University
BIRTHPLACE AND DATE	:	Roanoke Rapids, North Carolina; December 4, 1932
EDUCATION	:	Shaw University, 1955, B.A. Colgate-Rochester Divinity School, 1958, M.Div. Drew University, 1962, Ph.D.

EXPERIENCE

Present	:	President, Howard University
1963-1969	:	President, Shaw University, Raleigh, North Carolina
1961-1963	:	Assistant Professor of New Testament and Historical Theology, Virginia Union University, Richmond, Virginia
1959-1961	:	Instructor in Western History, Union Junior College, Cranford, New Jersey
1959-1960	:	Teaching Assistant in Historical Theology, Drew Theological School, Madison, New Jersey

ASSOCIATION MEMBERSHIPS

Board of Directors:
First American Bank, N.A.
Joint Center for Political Studies
National Association for Equal Opportunity in Higher Education
National Capital Area Council, Inc., #82 Boy Scouts of American
National Permanent Federal Savings and Loan Association
National Symphony Orchestra Association
People United to Save Humanity (PUSH)
United Nations Association, Capital Area Division, Board and Advisory Committee

Board of
Trustees: Consortium of Universities of the Washington Metropolitan Area
Federal City Council
New York Institute of Technology
United Way of the National Capital Area
Washington Center for Metropolitan Studies

Advisors : Association for the Integration of Management, Inc.
Close Up
Colgate-Rochester Divinilty School, Advisory Board
GWETA, Community Advisory Council
Institute for the Study of Educational Policy
InterFuture, International Advisory Council
International Telephone and Telegraph Corporation, College Scholarship Program
Minorities in Engineering, National Advisory Council
National Archives Advisory Council
National Coordinating Council on Drug Abuse, Education and Information, Inc.
National Council for Black Studies, National Advisory Committee
National Urban League and Booker T. Washington Foundation
TV Career Awareness Advisory Review Board
School Review, National Advisory Board
Speak Out!
Washington Urban League

HONORS AND RECOGNITIONS

Honorary
Degrees : *Doctor of Humanities*, Shaw University, 1970
Doctor of Humane Letters, Trinity College, 1970
Doctor of Laws, A&T State University, 1971
Doctor of Laws, Drew University, 1971
Docteur Honoris Causa, l'University d'Etat d'Haiti, 1972
Doctor of Education, Providence College, 1972
Doctor of Laws, Delaware State College, 1972
Doctor of Humanities, University of Maryland, 1975
Doctor of Divinity, Bucknell University, 1975
Doctor of Laws, New York Institute of Technology, 1980
Doctor of Laws, University of North Carolina, 1981

Alpha Kappa Delta National Honorary Sociological Society, 1954
Colgate-Rochester Graduate Fellow, 1958
Lilly Foundation Fellow, 1958 and 1959
Rockefeller Doctoral Fellow, 1960

1983 APPROPRIATION REQUEST

Senator PROXMIRE. All right, sir. Thank you very much.

You're seeking a 14-percent increase above the present funding level set in the third continuing resolution for operating the academic program for fiscal 1983.

Dr. CHEEK. Yes.

Senator PROXMIRE. Most of these additional funds would provide raises in salaries and benefits for faculty and support staff, as your testimony indicates, along with partial support of Howard University's retirement program.

Given the serious budget deficit the Federal Government faces, could you get by with less than 14 percent?

Dr. CHEEK. Mr. Chairman, it would be exceedingly difficult for us to do that because even the $145.2 million is below the original amount which OMB had provided which amounted to $153.9 million. The $153.9 million represented what our best judgment indicated was needed in order to continue the program of developing all of our schools and colleges to a level where accreditation deficiencies would be eliminated entirely. With respect to our salary increases, we already are behind the projected salary average for the Nation from the American Association of College and University Professors—AACUP.

Senator PROXMIRE. How much behind?

Dr. CHEEK. Within the ranks, it varies. The rank of full professor, approximately $2,000 below—I'm sorry—it would be approximately $4,000 below the AACUP for full professor. It would be approximately $1,800 for assistant professor. It would be approximately $1,000 below assistant professor, and for instructor, it would be about $1,200.

Senator PROXMIRE. Now these are averages?

Dr. CHEEK. These are averages. The American Association of University Professors is the organization——

Senator PROXMIRE. Does that include all State as well as private institutions?

Dr. CHEEK. Yes; it includes private as well as public supported institutions, and it has been an understanding, at least since I have been at the institution, that we would attempt to maintain our salaries at the level of AACUP for institutions that are in what they call category 1; that is, large, complex universities; and at one time we were gaining ground. In recent years we have started falling behind because the increases nationally have averaged about 10 percent and in our case they have averaged less than that amount. In this year's request, the amount we are seeking represents an 8-percent increase as opposed to a 10-percent average for the Nation.

Senator PROXMIRE. Now 39 percent of the proposed $5.8 million supplemental would restore the entire nonfaculty pay increase for the university as well as complete the balance of faculty raises already provided during the fiscal year. These additional funds would allow the university to honor the commitment it made to faculty and staff prior to congressional action in the fiscal 1982 budget.

Do you think it's good policy to make financial commitments prior to congressional action?

Dr. CHEEK. In some instances, Mr. Chairman, with respect to nonfaculty, the commitments are written into union contracts and we have no choice where that is involved, and that is what the statement refers to in the main.

STUDENT FINANCIAL AID

Senator PROXMIRE. Let me ask you, Dr. Cheek, what percentage of your students receive Federal financial assistance?

Dr. CHEEK. Approximately 89 percent of our total student body.

Senator PROXMIRE. How would Howard University students be affected by the administration's proposed reductions in student aid?

Dr. CHEEK. The analysis from our financial aid office indicates that on the basis of what is currently being proposed, that the 89 percent which is the current year would fall to 55 percent, affecting principally students that are enrolled in graduate level programs.

Senator PROXMIRE. They would simply drop out? Is that the way they would do it?

Dr. CHEEK. Well, the way they have presented it to me, they have done the calculations based upon the eligibility status of students and based upon the proposal to eliminate GSL's.

Senator PROXMIRE. Then it's hard to tell what would happen, but I presume if this were reduced, then your answer is that instead of 89 percent being given aid it would be 55 percent, and then I presume that a substantial proportion of those would not be able to continue their education.

Dr. CHEEK. Now that we cannot say.

Senator PROXMIRE. You can't say, but is that a fair assumption?

Dr. CHEEK. Mr. Chairman, I'm really not sure. It's my belief that most of those students will find some way to be able to continue inasmuch as the impact would be greatest on students who are enrolled in graduate professional programs such as medicine, dentistry, law, and we may lose students in the graduate school of arts and sciences who are pursuing masters and doctors degrees.

Senator PROXMIRE. I would think these days, with unemployment being as high as it is, including unemployment in this area, it would be very difficult for them.

Dr. CHEEK. Yes.

PRIVATE CONTRIBUTIONS

Senator PROXMIRE. Information provided by the university advises, in fiscal 1982 Howard received only 1 percent of its revenues in endowments and 3 percent in private gifts. The Federal appropriations for that year represented 60 percent of the school's revenues.

What steps have been taken to increase private contributions?

Dr. CHEEK. We initiated in 1972 a program that is national and international in scope to increase the university's endowments. That program is called the new direction fund which has as its goal $100 million. To date, we have been able to raise in either money or hard pledges a little more than $51 million, and we already know as of last week of an additional $1.5 million that will come.

I think it's fair to point out that private sector fundraising is generally targeted. That is, it's very difficult to raise money for a university for general operating expenses. Where the corporate sector is involved, the general pattern is for corporations to give money to those schools that are producing graduates that represent potential employees, and we are continuing this program.

We have a full-time staff. We have a body of sponsors known as the International Sponsors Council, and while we are not as close to the target as we envisioned it in 1972, we are continuing to make some progress.

Senator PROXMIRE. That's a lot of progress. $50 million is a lot of money. It's a big improvement.

I take it then that the 1 percent of its revenues in fiscal 1980 in endowments and 3 percent in private gifts, that that's improving substantially.

Dr. CHEEK. Yes, it is.

ADMINISTRATIVE OVERHEAD

Senator PROXMIRE. Dr. Cheek, according to reports filed with the National Center for Educational Statistics, in 1980 Howard's administrative overhead expenses per student were more than twice as high as comparable institutions such as Georgetown and Duke.

How do you account for the difference?

Dr. CHEEK. Mr. Chairman, what happened was that the fringe benefits for the entire university were placed in a category that caused them to show up as administrative expense. When those fringe benefits were allocated throughout the university—that is, throughout the 17 schools and colleges—then our percentage is approximately 10 to 10.5 percent, which approximates the norm nationwide for administrative expenses as a percent of total educational and general expenses.

Senator PROXMIRE. Has there been any independent Federal analysis to see if that would make it comparable—GAO or any other agency?

Dr. CHEEK. Yes; we have had an audit by GAO and, of course, we are audited every year by the Federal Government.

Dr. HARRIS. That audit was just recently completed by the General Accounting Office and I notice there are representatives from GAO present in the room, and I think they can confirm Dr. Cheek's statement.

Senator PROXMIRE. Well, we have here an audit by the National Center for Educational Statistics and it has overhead institutional support—Case Western, $1,308; Duke, $649; Emory University, $650; Georgetown, $729; and Howard with the highest, $1,656 overhead.

Now there are three institutions that have somewhat higher, Johns Hopkins, Stanford, and Yale, but the other universities are all lower, including the University of Chicago, University of Rochester, Vanderbilt, and so forth.

So it does seem in general to be somewhat higher.

Dr. HARRIS. Could I explain a little on that?

Senator PROXMIRE. Yes, sir.

Dr. HARRIS. When Howard received a request from this agency for the statistical data, they've always asked for it early in the fiscal year. Several years ago we installed a new computerized accounting program, and this data was not available at the time since our year-end audit was not completed. It was reported to them, that this was a preliminary report and at year's end when we made our expense redemptions our figures would change. Our audit report was not available until around November and I believe their report was issued prior to that date.

Senator PROXMIRE. We got this 2 days ago.

Dr. HARRIS. I see. I do not know then what they have reported.

Senator PROXMIRE. Well, for the record, why don't you take a look at that and maybe you can give us a fuller explanation.

[The information follows:]

ADMINISTRATIVE OVERHEAD EXPENSES

Howard University had mistakenly classified certain expenses as administrative overhead expenses in 1980 and 1981 and these figures were submitted to the National Center for Education Statistics. Subsequently, this error was discovered and a corrected summary was forwarded to the Center for Education Statistics that reduced substantially the administrative overhead expenses previously reported on behalf of Howard. Because of the initial classification of these expenses, the General Accounting Office visited Howard University recently to review our administrative overhead expenses and, it is my understanding, that they issued a report substantiating the fact that an error was made in the classification of these expenses.

According to the information provided me by the General Accounting Office, Howard's administrative overhead expenses for 1980 represent 11.5 percent of the University's educational and general expenses and in 1981 these expenses amounted to 10 to 11 percent which is comparable with administrative expenses of other similar institutions as reported to the National Center for Education Statistics. We, of course, are not familiar with administrative overhead expenses at Georgetown University or Duke University and are unable to comment concerning the items of expense that they classify as administrative overhead. Various universities and colleges, for their own internal purposes, record and classify expenses somewhat differently. Our administrative overhead expenses are recorded in accordance with accounting guidelines established by the American Institute for Certified Public Accountants and the National Association of College and University Business Officers.

HOWARD INN

Senator PROXMIRE. Recently Howard bought a luxury hotel in the District of Columbia, Harambee House. How did you acquire this facility and at what cost?

Dr. CHEEK. It was offered to us by the Department of Commerce at a cost of $1.3 million.

Senator PROXMIRE. How is it being used by the university?

Dr. CHEEK. It is being operated as a hotel and in the fall of the year our School of Business and Public Administration will begin to offer a degree program in hotel management.

Senator PROXMIRE. Is it profitable?

Dr. CHEEK. It will be.

Senator PROXMIRE. It's not profitable as yet?

Dr. CHEEK. No; we had to undertake renovations to the property and we have not engaged in any promotional or advertising programs.

Senator PROXMIRE. I take it that when it is profitable its profits will be used to support the university and thereby reduce the level of Federal appropriations modestly.

Dr. CHEEK. Well, Mr. Chairman, I won't make that commitment, but——

Senator PROXMIRE. Well, why not? After all, if you have that additional source of income——

Dr. CHEEK. We may have to use the profits to support financial aid.

Senator PROXMIRE. Well, yes, but absent that, if the aid would be provided perhaps by the Federal Government——

Dr. CHEEK. Well, we would still continue to receive financial aid, but our financial aid program currently does not cover the entire need that we have. Although 89 percent of our students receive financial aid, actually about 94 percent of our student body would qualify for some financial aid based on need.

TUITION COMPARED WITH AREA INSTITUTIONS

Senator PROXMIRE. Let me ask one final question, Dr. Cheek. How do the trends in Howard's tuition and fees compare with those of other private institutions in Washington, in the metropolitan area?

Dr. CHEEK. They are lower than other private institutions.

Senator PROXMIRE. By what proportion?

Dr. CHEEK. I can give you that in just one moment.

Senator PROXMIRE. Catholic, American, Georgetown, George Washington?

Dr. CHEEK. Well, to indicate, Howard's tuition for undergraduate programs is $2,000. For the College of Medicine, it is $3,000. For the College of Dentistry, it is $2,600. For the School of Law, it is $2,400.

With respect to the University of Maryland, for example, for an out-of-State student, the tuition is $2,098.

Senator PROXMIRE. Well, how about for an in-State student? Wouldn't that be a proper comparison?

Dr. CHEEK. Yes; that's $1,073.

Senator PROXMIRE. It's less for an in-state student?

Dr. CHEEK. Yes; in any case, the other universities in Washington—American University for this year is $6,000, Catholic University is $4,900, Georgetown is $5,750, George Washington is $4,500.

SUBMITTED QUESTIONS

Senator PROXMIRE. Well, thank you, gentlemen. I very much appreciate your testimony, and if you could work on that other item for the record we would appreciate it very much. We will submit some questions for the record.

Dr. CHEEK. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by the Subcommittee

FOREIGN STUDENTS

Question: According to the Washington Post, in 1979 foreign students made up approximately 40 percent of Howard's Graduate School and 17 percent of ilts overall enrollment.

In the past, the suggestion has been made by OMB that the University charges more for foreign students just as State Universities charge more for non-residents.

Given the current budget constraints, has the University given any consideration to such a tuition differential?

Answer: We have explored this possibility in depth and I am advised that there is a serious legal question raised concerning the constitutionality of such a proposal since foreign students may charge Howard University with discrimination based on National origin. One of the requirements for Howard to maintain its tax exempt status by the Internal Revenue Service is that Howard not discriminate on the basis of race, sex, or national origin. The latter would raise serious questions in this regard.

SCHEDULE OF FISCAL 1981 REVENUE

Question: Information provided by the University advises that in fiscal 1980 it received only 1 percent of its revenue in endowments and 3 percent in private gifts. The Federal appropriation for that year represented 60 percent of the school's revenues.

Please provide the Committee with a schedule of its revenue for fiscal 1981.

Answer: A statement of current funds revenues, which also includes Howard University Hospital, as of June 30, 1981 follows:

Revenues:	Amount*	Percentage
Tuition and fees	$ 22,576,000	09.0 %
Federal appropriations	120,780,500	49.0 %
Federal grants and contracts	27,454,318	11.0 %
State and local grants and contracts	802,186	.003%
Private gifts, grants and contracts	4,680,149	02.0 %
Endowment income	1,234,219	.005%
Sales and services:		
Educational departments	595,972	.002%
Auxiliary Enterprises	8,655,869	04.0 %
Hospital	54,803,472	22.0 %
Investment income and other sources	4,245,121	02.0 %
TOTAL	$245,828,374	100 %

ACCREDITATION DEFICIENCIES

Question: $1.6 million of the proposed supplemental would permit the University to satisfy its accreditation deficiencies for this eliminate more academic deficiencies - most of them for the same schools. The University accreditation deficiencies have been ongoing for the past several years.

Please provide the Committee with a list of Howard's schools and colleges with such deficiencies.

ACCREDITING PROBLEMS FACED BY SCHOOLS, COLLEGES AND ACADEMIC SUPPORT SERVICES AT HOWARD UNIVERSITY

The following descriptions of problems, related to accreditation, in each school and college and the University Libraries are related directly to deficiencies, weaknesses or problems contained in the evaluation reports and letters from the respective accrediting bodies, and the Middle States Association of Colleges and Schools.

SCHOOL OF ENGINEERING

As a result of a visit on September 27-28, 1979, the degree granting programs in chemical, civil, electrical, and mechanical engineering were reaccredited by the Accreditation Board for Engineering and Technology (ABET), formerly the Engineers' Council for Professional Development. The Board commended the University for making improvements in the engineering program but among its general observations were the following: "Funds for supplies, laboratory equipment, and technician support are somewhat low and in need of additional support. Strengthening of the computer faculty and facilities is needed to bring this part of the program up to the desired level."

The space situation has been remedied somewhat by the addition of a wing to the building to house chemical engineering. However, additional space for library and faculty offices is currently needed. New faculty have been added but more are needed to maintain quality of teaching and professional standards. Additional support staff is needed to increase the research capability of the faculty.

The Middle States Evaluation Team stressed also the needs for additional full time faculty and equipment in Computer Science.

SCHOOL OF LAW

In December, 1974, the School of Law was visited by a joint American Bar Association-American Association of Law Schools Inspection Team. Several concerns were expressed and recommendations made. In annual year 1978-79, the concerns were sufficiently addressed that accreditation could be granted. Among the several recommendations of the visitation team (in 1974) were the following:

1. That the physical plant be made adequate.
2. That the law library be improved substantially.
3. That expanded financial aid for students be made available in order to improve the quality of the student body.

4. Improving and expanding the faculty.

Many of these problems have been addressed with the acquisition of additional budget support, new space facilities, leadership, and an expanded faculty. There are still some physical plant needs -- mostly in the area of larger classroom space. The most critical need now in the School of Law is funds for student support in order to enable it to attract more able students and assist them sufficiently so that they will not have to work. Some additional staff for intensive work with students who need supplementary instruction in basic skills are also needed. Additional faculty are needed to reduce the student-faculty ratio.

In addition to the above, the Middle States Evaluation Team stressed the need for an evening program.

SCHOOL OF SOCIAL WORK

In October, 1977, the Council on Social Work Education reaffirmed the accreditation of the School of Social Work for a period of ten years. The Council indicated several needs that should be met. The Council stressed a need for additional faculty in order to offer the Bachelor of Social Work degree in 1978-79; computer terminals and the strengthening of the library in order to support the Doctor of Social Work degree.

The Middle States Evaluation Team expressed this fact by stating that the School's resources are limited for the objectives it wants to accomplish.

SCHOOL OF ARCHITECTURE AND PLANNING

In July, 1976, the National Architectural Accrediting Board approved the reaccrediting of the School of Architecture and Planning at Howard University through the academic year 1977-78, "by which time significant progress must be made in correcting deficiencies." The Board observed "that the physical plant had been improved substantially." The School needs to increase the size of its faculty, receive additional funds for supplies and equipment and secure financial support for its students.

The Middle States Evaluation Team underscored the same deficiencies.

The School was revisited on April 27-30, 1980. The team expanded on the previous needs. It specifically expressed the School's need for serious improvement in the counseling of students. The graduate program needs greater depth as well as additional specialized programs. Also, the student body needs exposure through visiting lecturers.

SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION

The School of Business and Public Administration was visited by a team from the American Assembly of Collegiate Schools of Business on January 22-25, 1980, for accreditation of its graduate programs. (Accreditation of its undergraduate programs was granted in May, 1976.) The Committee was concerned about the School's facilities which it termed "third class." It further stated that, "If the program is to draw men and women from industry, emphasize its graduate programs and retain well-qualified faculty, more appropriate facilities will be necessary." It was stated that although some progress has been made, it is still not sufficient. It was also recommended that additional faculty were needed for the Insurance, Finance, and Accounting programs and the Center for Banking Education. Additionally, support personnel are needed to take care of the needs of the faculty.

SCHOOL OF HUMAN ECOLOGY

The School was visited on April 9-11, 1975, by a team from the American Home Economics Association. Full accreditation was granted in October, 1975. Although accreditation was granted, the team members noted a need for increased recruitment activity and continued support for the library development program. They also observed that expected enrollment increases would require larger classrooms and additional faculty. The report also stated that "clerical and technical support services for the faculty are limited."

The Middle States Evaluation Team cited the need for additional faculty in the areas of Human Nutrition and Foods, Macroenvironmental and Population Studies, and Consumer Education and Resource Management. It also recommended serious consideration of a Master's level program in Human Development.

COLLEGE OF FINE ARTS

The Department of Art, College of Fine Arts, was visited on February 18-20, 1976, by an accreditation team from the National Association of Schools of Art. In April, 1976, the Department was accepted for Recognized Candidacy Status in Division I of the National Association of Schools of Art for a period of five years. There must be a formal report from the Department within three years which addresses the concern of the visiting team. The team was concerned about, "The Master of Fine Arts program. . . for which the Art History requirements and the general faculty and physical resources are quite inadequate," and "equipment, space, and facilities (which) in general are inadequate for the stated purpose and the size of the Bachelor of Fine Arts and the Master of Fine Arts programs as presently constituted." Additionally it was observed that "audiovisual and library resources need to be increased."

The Department of Music, College of Fine Arts, was visited on April 4-5, 1977, by an accreditation team from the National Association of Schools of Music. In November, 1977, the Department was continued in good standing (i.e. reaccredited) as a member of the Association for a period of ten years. Additional scholarship funds were recommended in order to counteract the talent drain occasioned by the recruiting efforts of predominantly white institutions which are implementing their affirmative action programs. The immediate institution of a program to systematically replace the practice pianos (30-40 years old) was also recommended. Improved environmental conditions, including better ventilation and sound isolation, for the practice rooms; more audio equipment, especially tape recorders; and the development of a stronger program of music in general studies were also cited by the visiting committee.

The Middle States Evaluation Team underscored the need for additional space for all three major areas of the College, but particularly for the drama program which is currently limited to one classroom. It also recommended that consideration should be given to establishing a Master of Fine Arts program in drama.

SCHOOL OF EDUCATION

The School of Education was visited November 6-8, 1978, by a team from the National Council for Accreditation of Teacher Evaluation. The Report of the visiting team stated "The consensus was that the institution does not provide (physical) facilities essential to support the instructional and research activities of each teacher education program."

SCHOOL OF COMMUNICATIONS

The Communications Arts and Sciences Department of the School of Communications anticipates making application for accreditation in 1982-83. Adequate physical facilities and additional equipment are the pressing needs at present.

GRADUATE SCHOOL OF ARTS AND SCIENCES

Among the recommendations made by the Middle States Evaluation Team were the following:

> "More funds should be made available to support the research activities of the School. . . especially in the area of research assistantships and post-doctoral fellows."
>
> "Increase the number of full time graduate faculty, especially in such areas as: Computer Science, Physical Education, Art, Physics, Engineering, Human Ecology, Education, and Genetics."
>
> "Improve the physical plant, especially in the science programs. This includes providing (an) environment that would be more conducive to excellence in graduate education."

THE HOWARD UNIVERSITY LIBRARIES

The Library Index is a weighted measure, which summarizes the library position or rank with respect to the full range of Association of Research Libraries (ARL) library size components. The ARL adopted this Index in May, 1980, as the major criterion for membership in the Association for academic libraries.

In terms of this Index, the University Libraries managed to improve its overall score by over 50 percent (-.38 in 1979-80 compared to -.82 in 1978-79). In addition, its rate of improvement was faster than that of the ARL library median for the same years (-.16 in 1978-79 compared to only -.13 in 1979-80). That is an annual improvement of .44 points for Howard compared to .03 points for ARL. In other words, its improvement in certain categories was appreciably higher than that of most of the other libraries.

Nevertheless, the University Libraries remain well behind the ARL median in terms of volumes held and current serials received. The 1979-80 statistics indicate that progress (68 percent) was largely accounted for by improvements in the materials resource components and the concomitant expenditures (volumes added, current serials received, and materials and other operating expenditures). Therefore, the University Libraries' needs lie in those areas in which it trailed most of the other ARL member institutions.

The University continues to be a borrower more so than a lender in the interinstitutional resources exchange among ARL libraries. There is a priority need for the University to increase its material collections and develop resource expertise in those areas for which it is the primary reference source.

COLLEGE OF ALLIED HEALTH SCIENCES

Accreditation deficiencies in the College of Allied Health Sciences are as follows:

1. Medical Technology - Inadequate budget to support additional faculty needed.

2. Radiation Therapy Technology - Insufficient budgetary resources to support supplies, equipment and equipment maintenance for academic program.

3. Radiologic Technology -

    a. A lack of budgetary support for numbers of faculty required by accreditation essentials.

    b. Inadequate budget to support Clinical Coordinator position.

    c. A shortage of resources to support supplies, equipment and equipment maintenance needed in teaching laboratories and classrooms.

4. Occupational Therapy -

    a. Insufficient budgetary resources to support supplies, equipment and expenses for teaching laboratories and classrooms.

   b. A deficiency in practice laboratory facilities (space) to accommodate the student enrollment.

5. Physical Therapy -

   a. A shortage of budgetary resources to support additional faculty needed.

   b. Inadequate budget to support equipment, supplies and expenses necessary for demonstration laboratory and classroom use.

   c. A dearth of space to accommodate the teaching activities in the demonstration laboratory.

6. Clinical Nutrition - Insufficient budget to support supplies and equipment.

7. Physician's Assistant - A need for budgetary support for the faculty, supporting staff, supplies and expenses, and equipment needed for total support of this program.

COLLEGE OF DENTISTRY

Accreditation deficiencies in the College of Dentistry are as follows:

1. Insufficient financial resources to support recruitment and retention of additional clinical faculty positions and faculty development. Additional faculty are required to provide quality didactic and clinical instruction and to allow time for counseling and tutorial assistance of students and development.

2. Inadequate budget to support additional supporting clerical and technical staff positions.

3. A lack of financial resources to support the phased renovation of basement through the third floors.

4. Inadequate budget to support additional supplies and equipment needed to support academic and clinical programs.

5. Insufficient funds to support the recruitment and retention of minority students.

COLLEGE OF MEDICINE

Accreditation deficiencies in the College of Medicine are as follows:

1. Inadequate numbers of basic sciences faculty -

   a. To support the overwhelming non-medical student teaching responsibilities in such disciplines as dentistry, nursing, pharmacy and the allied sciences.

  b. To reinforce the standard medical curriculum with remedial courses and programs to correct deficiencies in preprofessional educational preparation of the large numbers of students served with varying degrees of preprofessional preparation.

2. A need for additional clinical faculty to support the more individualized instruction necessary for junior and senior medical students and postgraduate medical trainees (interns and residents).

3. A deficiency in physical facilities required to support the teaching and research programs, i.e.,

   a. Insufficient teaching laboratory space and facilities - citation given for inadequate space and facilities in the Anatomy Dissection Laboratory and other teaching laboratories.

   b. A shortage of space in the Animal Facility to adequately accommodate sufficient numbers and specialized conditions in animals, i.e., infections, etc.

4. A deficiency in fiscal and facility support for faculty and student research endeavors.

COLLEGE OF NURSING

Accreditation deficiencies in the College of Nursing are as follows:

1. Inadequate compensation available for faculty who have obtained doctoral degrees in support of the master's program.

2. Insufficient funding for equipment maintenance and replacement.

COLLEGE OF PHARMACY AND PHARMACAL SCIENCES

Accreditation deficiencies in the College of Pharmacy and Pharmacal Sciences are as follows:

1. A shortage of funds for definitive recruitment and retention program for qualified students.

2. Inadequate facilities (space and equipment) to substantially improve the learning environment of the College.

HOWARD UNIVERSITY CENTRAL CAMPUS PLAN

Question: Howard is requesting no construction funds in fiscal 1983.

For the record, please provide a copy of the plan.

Answer: The plan is attached.

(CLERK'S NOTE.--A copy of the Howard University Central Plan is in the subcommittee's files.)

Question: President Cheek, what do your projects show insofar as future enrollment trends are concerned, both at the undergraduate and the graduate level?

Answer: Our enrollment trends show for the entire University future enrollment increases annually of approximately 2 percent. Our current plans for Howard University is a full-time student body enrollment of approximately 15,000 students.

DEPARTMENTAL MANAGEMENT

OFFICE OF THE COMPTROLLER

STATEMENT OF RALPH J. OLMO, COMPTROLLER

ACCOMPANIED BY:
- WILLIAM S. FLOYD, ACTING DIRECTOR, ADMINISTRATIVE BUDGET STAFF
- THOMAS P. SKELLY, DIRECTOR, DIVISION OF BUDGET REVIEW

OFFICE FOR CIVIL RIGHTS

STATEMENT OF CLARENCE THOMAS, ASSISTANT SECRETARY FOR CIVIL RIGHTS

ACCOMPANIED BY:
- KRISTINE MARCY, DIRECTOR, PLANNING AND COMPLIANCE OPERATIONS SERVICE
- ANDREW FISHEL, DIRECTOR, MANAGEMENT DIVISION, PLANNING AND COMPLIANCE OPERATIONS SERVICE
- THOMAS P. SKELLY, DIRECTOR, DIVISION OF BUDGET REVIEW

OFFICE OF INSPECTOR GENERAL

STATEMENT OF JAMES B. THOMAS, JR., INSPECTOR GENERAL

ACCOMPANIED BY:
- ARTHUR SINAI, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATION
- JOHN C. YAZURLO, ASSISTANT INSPECTOR GENERAL FOR AUDIT
- THOMAS P. SKELLY, DIRECTOR, DIVISION OF BUDGET REVIEW

SUBCOMMITTEE PROCEDURE

Senator PROXMIRE. Departmental management will be the next panel. All right. Let's see if I have the right lineup here. We've got Mr. Clarence Thomas, Assistant Secretary for Civil Rights.

Mr. CLARENCE THOMAS. That's right.

Senator PROXMIRE. Mr. Ralph J. Olmo, Comptroller?

Mr. OLMO. Yes.

Senator PROXMIRE. And Mr. James Thomas, Inspector General?

Mr. JAMES THOMAS. Yes, sir.

Senator PROXMIRE. Very good. All right. I take it, Mr. Olmo, that you have a brief summary of your statement?

Mr. OLMO. We have prepared these statements separately. I will summarize my statement and then perhaps you could hear a brief summary from Mr. Thomas and Mr. Thomas.

Senator PROXMIRE. Mr. James Thomas and Mr. Clarence Thomas. I'll try to keep the Thomases distinct. We're sure neither of you are Doubting Thomases.

SUMMARY REMARKS

Mr. OLMO. Our total request for the 1983 budget for the Department as a whole is $279.7 million and 5,458 full-time equivalent positions.

We have proposed allocating to the Foundation $256.5 million and 4,814 full-time equivalent positions. For Department of Education, the $279.7 million breaks down to $222 million in departmental management, $12.8 million for the Inspector General, and $44.9 million for OCR.

In accordance with your request, our remarks will be addressing the budget of the Department of Education for 1983 rather than the Foundation and my summary will address the $222 million and 4,040 FTE's for departmental management.

Our request for departmental management in 1983 of $222 million reflects a $5.4 million increase over the 1982 budget of $216.6 million. However, our 1983 request effectively amounts to a $2.5 million decrease because it includes $7.9 million to cover the pay raise that took effect on October 1 and also to cover increases resulting from the lifting of the pay cap in January 1983. The 1982 base that we are using for comparison doesn't include those increases. The 1983 budget package shows only four categories of expenses as increasing in 1983 in terms of percentage of the total S. & E. budget. Rent is going up from 4.6 percent of the total S. & E. budget to 5.4 percent. Mailing costs are going up from 2.7 to 2.9 percent of the total S. & E. budget and telecommunications is going from 2.3 to 3.7 percent of the total.

These three categories are uncontrollable and the additional costs are due to external increases.

The fourth category is ADP costs which are increasing from 17.3 to 22 percent of the total budget in 1983, primarily as a result of improvements in the management of the student aid program.

All other categories in our 1983 budget either decrease or remain level in 1983 in terms of the percentage of the total S. & E. budget.

The major categories, if I could summarize, that put upward pressure on the 1983 budget are the pay increases of $7.9 million, rent and communications increases of $8.4 million, and an ADP increase of $11.4 million, $9.7 million of which is related to student financial assistance improvements.

The area where we will realize an offsetting savings in 1983 is in the reduction of 501 full-time equivalent positions from the 1982 plan.

Overall, the 4,040 positions that will be allocated to departmental management in 1983 is a reduction of 2,030 positions from the original ceiling allocated to the Department in May 1980. In terms of our on-board employees, from February 1981 to February 1982, we have reduced our on-boards by 1,412 positions in departmental management alone.

To make maximum use of our reduced staff, we are proceeding to reevaluate the manpower requirements of each organizational unit. We plan to reassign personnel and realine responsibilities accordingly.

This budget proposal is lean. Managing our programs with it will be tight. But, we believe it's realistic and manageable and we know it's necessary for us to do our part to meet the overall objectives of the Federal budget.

[The statement follows:]

STATEMENT OF RALPH J. OLMO

Thank you for the opportunity to present the Foundation for Education Assistance 1983 budget request for Salaries and Expenses.

We are requesting a total of $256.5 million and 4,814 full-time equivalent positions for the Foundation. Within this request $12.5 million and 296 full-time equivalent positions are budgeted to the Inspector General's office and $44 million and 1,023 full-time equivalent positions are allocated to the Office for Civil Rights. Separate opening statements have been prepared by these offices. In addition to the Foundation request, a total of $23.2 million and 644 full-time equivalent positions are requested for transfer from the Department of Education to other Federal agencies upon establishment of the Foundation. Thus, the total request for the Department of Education is $279.7 million and 5,458 full-time equivalent positions. I will confine my remarks to the Department of Education, Departmental Management Appropriation, including the transfer activities, and leave for later discussion the Office for Civil Rights and the Inspector General's Office.

Under the Departmental Management Appropriation we are requesting $222 million and 4,040 full-time equivalent positions. Approximately 53 percent of the request supports personnel compensation and benefits.

The FY 1983 budget request represents a net increase of $5.4 million. However, this request effectively amounts to a decrease of $2.5 million because the 1983 budget includes the estimated personnel compensation increase of 7.9 million. The 1982 base includes no pay raise supplemental.

Three major categories account for most of the upward pressure on the 1983 budget: personnel compensation, rent and communications, and other services. The personnel compensation increase of $7.9 million covers annualization of the October 1981 pay raise and the January 1982 pay cap increase. The rent and communications increase of $8.4 million is the result of exceptional rate increases, particularly for telecommunications, rent and mail.

Other services consist primarily of ADP services which require a substantial increase of $11.4 million, $9.7 million of which is needed for the Student Financial Assistance programs, including $3.8 million for an integrated system, $1.3 million for the new Pell Grant validation process, $1.9 million for quality control studies, $1.6 million to implement a system for the Parent Loans for Undergraduate Students (PLUS) Program, and $1.1 million for increased costs in existing systems.

Virtually all of the offsetting savings result from the reduction of 501 full-time equivalent positions which nets approximately $20.3 million in 1983 -- $17.5 million in salary and benefits and $2.8 million in related support costs.

This 1983 Departmental Management budget request for 4,040 full-time equivalent positions represents a reduction of 2,030 positions from the number available to the Department in May, 1980 when the Department was created. This reduction has been achieved in three ways:

- First, by not filling vacancies transferred into the new Department;
- Second, by maintaining a personnel freeze on hiring from January, 1981 to the present; and
- Finally, by conducting RIF's in those organizations where workload has decreased primarily due to the creation of the block grant programs.

We plan to conduct a survey to evaluate the manpower within each of the organization units in order to more effectively manage the proposed S&E cutbacks.

Thank you for the opportunity to discuss this request. My colleagues and I will be happy to respond to your questions.

Biographical Sketch

NAME : Ralph J. Olmo

POSITION : Comptroller

BIRTHPLACE AND DATE : Chicago, Illinois, October 19, 1946

EDUCATION : Certified Public Accountant
California State University, Long Beach, 1972, B.A.
Long Beach City College, 1970, A.A.

EXPERIENCE :

Present : Comptroller, Department of Education, Washington, D.C.

1976-1981 : Supervising General Auditor of Utah System of Higher Education and Deputy Director, Utah Student Loan Program, Salt Lake City, Utah

1975-1976 : Senior Auditor, City Auditor's Office, City of Long Beach, California

1972-1975 : National CPA Firm, Newport Beach, California

1973-1976 : Part-time Instructor of Accounting, Long Beach City College

1967-1969 : Missionary for the Mormon Church

ASSOCIATION MEMBERSHIP : Association of Government Accountants
American Institute of Certified Public Accountants

SUMMARY REMARKS—OFFICE OF CIVIL RIGHTS

Mr. OLMO. I'd now like to turn to Mr. Clarence Thomas.

Senator PROXMIRE. Mr. Clarence Thomas.

Mr. CLARENCE THOMAS. The 1983 budget request for the Office of Civil Rights is $44,868,000 and this budget is based on the assumption that we will have at the Office of Civil Rights 1,023 full-time equivalent positions. This represents a slight decrease in funding of $112,000 from 1982 estimated appropriations. The full-time equivalent of temporary and part-time staff will decrease by 42 over the fiscal year. This decrease in total employment reflects improved caseload management with the civil rights activity, as well as a decrease in workload as a result of the consolidation of the Emergency School Aid Act into a block grant.

I will submit the rest of my statement for the record.

[The statement follows:]

STATEMENT OF CLARENCE THOMAS

I appreciate the opportunity to present the fiscal year 1983 budget request for Civil rights in the Foundation for Education Assistance.

The Office for Civil Rights is responsible for ensuring that no person is unlawfully discriminated against on the basis of race, color, national origin, sex, handicap and age in federally assisted education programs and activities. These protections are set forth under four statues: Title VI of the Civil Rights Act of 1964; Title IX of the Education Amendments of 1972; Section 504 of the Rehabilitation Act of 1973; and the Age Discrimination Act of 1975. These laws guarantees the civil rights of 12 million minority group members, 4 million handicapped persons, and 26 million women who attend our public schools, colleges and universities.

In addition, the civil rights laws apply to Federal educational aid recipients, including 50 state education agencies, 16,000 school systems, and 3,200 higher education institutions. Ninety-five percent of staff time is spent in efforts to comply with the Adams consent order issued in 1977. The order required the office to investigate complaints within 105 days of their reciept and, if there is a violation, to seek voluntry compliance within the next 90 days. In addition, the order requires certain monitoring activities and the execution of a balanced compliance program responsive to the needs of all protected group and covering institutions geographically dispersed.

In order to provide maximum use of staff time and to provide a mechanism to expand the services of the office, the Office for Civil Rights is developing a program to enhance the technical assistance program. Two major technical assistance activities will be initiated; the first will provide technical assistance related to the investigation of a complaint; the second will communicate technical information or information related to a specific issue even though no specific complaint is involved. This will allow the office to pursue the resolution of civil rights cases through other means than through a confrontational compliance enforcement approach.

The 1983 budget for the Office for Civil Rights is $44,868 and 1,023 full-time equivalent positions. This represents a slight decrease in funding of $112,000 from the 1982 estimated appropriation. The full-time equivalent employment of temporary and part-time staff will decrease by 42. This decrease in total employment reflects improved caseload management with the Civil Rights activity as well as a decrease in workload as a result of the consolidation of the Emergency School Aid Act into a block grant.

The funding for technical assistance contracts, however, will increase by $568,000. In addition, $869,000 and 23 full-time equivalent positions which perform the litigation function in the office are proposed for transfer to another agency in 1983.

Mr. Chairman, I would be happy to answer any questions the Committee may have.

BIOGRAPHICAL SKETCH

Clarence Thomas

Age: 33

Graduate from:	Holy Cross College Worcester, Massachusetts Yale Law School
1974-1977:	Assistant Attorney General --State of Missouri argued more than 40 appellate cases in the Missouri Courts of Appeal and the Supreme Court of Missouri --Represented the Department of Revenue of the State of Missouri, the State Tax Commmission, and Lincoln University (traditional Black Institution)
1977-1979:	Attorney in the law department of Monsanto Company, St. Louis, Missouri --Handled commerical contracts, antitrust, general corporate law
1979-1981:	Legislative Assistant --Senator John C. Danforth, Republican, Missouri --Areas of responsibility included Energy, Environment, Interior, and Public Works

SUMMARY REMARKS—INSPECTOR GENERAL

Senator PROXMIRE. All right, sir. Thank you very much.

Mr. James Thomas.

Mr. JAMES THOMAS. Mr. Chairman, I would just summarize my statement by saying our budget for the Department of the Inspector General is $12.8 million. The number of employees requested is limited to 304 full-time equivalent positions. The increase over the present continuing resolution is $1.835 million and is primarily for those uncontrollables that Mr. Olmo referred to earlier.

I will submit the full statement for the record.

[The statement follows:]

STATEMENT OF JAMES B. THOMAS

Thank you for this opportunity to appear before you to present the 1983 budget request for the Inspector General's office in the Foundation for Education Assistance.

The purpose of the Office of the Inspector General is to promote economy, and efficiency in education programs and operations; to provide leadership in prevention and detection of fraud, waste and abuse; and to keep the Director of the Foundation and the Congress fully informed as to the status of these activities.

In 1981, the Inspector General's office issued or processed 5,413 reports on the Agency's operations, grantees and contractors. These reports questioned or recommended disallowances of $107 million. In addition, a total of 2,208 audit reports were closed. These audit reports will result in recoveries or savings of approximately $36.4 million.

In 1982, the Inspector General's office began to intensfy its efforts to address those areas where the potential for recovery of funds is great. The 1983 budget request will continue to support this effort.

The Office of the Inspector General is requesting $12,531,000 and 296 full-time equivalent positions, an increase of $1,733,000 over 1982. An increase of $675,000 will fund the 1983 costs of the 1982 pay raise as well as within grade increases, career ladder promotions and resulting benefit increases.

An increase of $230,000 will allow the Inspector General's office to increase the number of interagency audits and an increase of $828,000 will support primarily built in increases such as rent and telecommunications. This latter increase includes $305,000 for the first full-year operating costs of an automated audit and investigation tracking system which was developed under the Departmental Management account in 1982.

In addition, $309,000 and 8 full-time equivalent positions are proposed for audit functions related to Rehailitation Services. These audits are currently conducted in the Office of Inspector General but are proposed for tranfer to another agency in 1983. The total amount for all activities in the Office of the Inspector General is $12,840,000.

We would be pleased to answer any questions for the Committee.

BIOGRAPHICAL SKETCH

NAME : James B. Thomas, Jr.

POSITION : Inspector General

BIRTHPLACE AND DATE : Tallahassee, Florida - March 16, 1935

EDUCATION : B.S., Business Administration, Florida State University - 1957 Graduate Study, Florida State University - 1957-1960 Federal Executive Institute,

Charlottesville, VA - 1973 Graduate Study,
Southeastern University - 1979

EXPERIENCE:

7/80 - Present : Inspector General, Department of Education

10/77 - 7/80 : Director, Bureau of Accounts, Interstate Commerce Commission

9/75 - 10/77 : Inspector General, U.S. Department of Housing and Urban Development

1972-75 : Assistant Director, Bureau of Accounts, Interstate Commerce Commission

1960-71 : Trainee through Assistant Director, Audit Operations Division, U.S. Department of Housing and Urban Development

1959-60 : Senior Auditor - Office of the State Auditor Tallahassee, Florida

1959 : Senior Auditor - J.D.A. Holley & Co., CPA firm, Tallahassee, Florida

1958 : Special Auditor, Office of the State Comptroller, Jacksonville, Florida

PROFESSIONAL QUALIFICATIONS : Certified Public Accountant - Florida - since 1962

Certified Internal Auditor - since 1973

Chairman, Interagency Regulatory Accountants Committee

Lecturer in Accounting Principles - Southeastern University

Instructor, Interagency Auditor Training Center

BUDGET INCREASES AND DECREASES

Senator PROXMIRE. Very good.

Mr. Olmo, you're proposing a reduction of 501 full-time equivalent positions to be achieved largely through attrition. Given that reduction in personnel and a savings realized by changing the department to a foundation, how do you account for the more than $5 million increase in the program administration budget for the department for fiscal year 1983?

Mr. OLMO. Well, as I summarized earlier, there are three main categories of upward pressure on the budget. The $7.9 million which is included in the 1983 request to cover 1982 pay increases is not included in the 1982 base; so effectively we really have a $2.5 million decrease.

The factors that are pressing us toward increased spending in 1983 are primarily the rent and communication costs which have been imposed on us by increased rates from GSA. The mail has gone up somewhat as a result of the 2-cent increase in postage, and the final category is the ADP budget which is increasing by some $11.4 million, most of which is to help us improve the management of our large student aid program.

PROBLEMS IN ADMINISTRATION OF FEDERAL EDUCATION PROGRAMS

Senator PROXMIRE. OK. Let me ask Mr. James Thomas, to what extent has the Inspector General identified problems in the administration of Federal education programs?

Mr. JAMES THOMAS. We have a continuing effort, Mr. Chairman. During this past year we processed approximately 5,400 audits. As part of those 5,400 audits we had questioned costs which resulted in sustained savings of some $37 million. In addition to that, we had 46 indictments resulting from our investigations and 28 convictions during that same period of time.

So we have in fact been very active in not only the areas of fraud and abuse but also omissions and ineffectiveness as well.

INSPECTOR GENERAL'S IMPACT

Senator PROXMIRE. Can you specify how these have contributed to changes in policies, regulations, or administrative procedures used by the Department?

Mr. JAMES THOMAS. We have had some impact in that area, I think, through our internal audit process where we have identified deficiencies in internal systems. We have made some recommendations to management which have in fact been adopted and which are included in the regulations and processes of the Department. This is a continuing effort and one to which we are increasing our allocation of resources in the future.

During this first year of our operation it's been a trial kind of thing where we have been testing a wide variety of approaches to try and find those programs which are most vulnerable. We will have extensive efforts going on for calendar year 1982 where we will be doing vulnerability assessments of every program in the Department in conjunction with the management staff. In that process we will be able to identify those program operations which are most vulnerable and be able to have an impact for further study for improving those vulnerables.

RIF'd EMPLOYEES

Senator PROXMIRE. Let me ask you how many Department of Education employees have been RIF'd so far in fiscal 1982?

Mr. JAMES THOMAS. I don't have that number.

Mr. OLMO. I've got it. We have identified and formally RIF'd 250 positions.

Senator PROXMIRE. Since October 1?

Mr. OLMO. Yes; 179 of those were related directly to the consolidation of block grants for elementary and secondary education. Of those 179, to this point, only 42 have actually had to go out the door. We had a very successful early-out retirement program in the Department—97 persons chose early-out and optional retirements and as a result of that we were able to save people's jobs and use potential RIF's to fill behind the positions vacated by the retirees.

Senator PROXMIRE. How many new employees have been hired?

Mr. OLMO. Very few. I don't have the exact number on it. We have had a permanent freeze on.

Senator PROXMIRE. Well, tell us how many have been hired, and I want to know, are there any political appointees?

Mr. OLMO. Well, we have filled behind the allocation of political employees in the Department. I don't think we have filled behind all of them at this point.

Senator PROXMIRE. How many is that?

Mr. OLMO. Approximately—I would say between 75 and 90 political employees have been hired since last winter.

INCREASE FOR INSPECTOR GENERAL

Senator PROXMIRE. Mr. Thomas, the total budget request for 1983 is $12.8 million, an increase of $1,083,000 over the current year, more than 14 percent. Why can't you absorb some of that increase?

Mr. JAMES THOMAS. Well, most of those additional costs, Mr. Chairman, are for salaries, rent, communications, and a computer system. They are uncontrollable increases for us. We are in a posture at the present time of not hiring people in order to try to continue some degree of continuity in our effort. Our staff has gone down in the last year from 302 to 267 because of the lack of funds to pay the people. We are still at the present time at a holding level of not replacing any people who leave. We are also presently in a posture of calling home our field auditors because we don't have any money for them to travel to the assignments which are high priorities. We are being extremely selective in the investigations we can conduct because there's not adequate money to put people on the road.

Most of my job and the staff I manage is an on-the-road kind of process. It's where we have——

Senator PROXMIRE. It's hard to understand how we can give you much more money. That 14-percent increase is more than inflation in real terms. That's an increase. And yet you have to make these reductions.

Mr. JAMES THOMAS. Well, the reductions we are making now, sir, are because of the current continuing resolution. We started off this year with an employment of 288 on October 1. The continuing resolution which we now have would fund 269 on an annual basis. Because we had 288, we had to get that number down.

Senator PROXMIRE. I asked about 1983. So you're going to restore then some of the cuts that you made because of the continuing resolution; is that right?

Mr. JAMES THOMAS. Well, the added amount, the $1.835 million, is over the continuing resolution amount.

Senator PROXMIRE. The 14-percent increase is over the continuing resolution amount?

Mr. JAMES THOMAS. That's correct.

Senator PROXMIRE. And that would require you to make continuing reductions or not?

Mr. JAMES THOMAS. If we got the full amount for 1983, it would allow us to bring our staffing back to a level which we started from; yes, sir.

EVIDENCE OF FRAUD IN STUDENT FINANCIAL ASSISTANCE

Senator PROXMIRE. OK. Have you found much evidence of fraud in the guaranteed student loan programs or the other student financial assistance programs?

Mr. JAMES THOMAS. We have found some; yes, sir. We have had quite a few cases—we don't break them down by type of student aid activity because oftentimes we find the same individuals involved in both grant and loan and therefore our statistics don't break those two apart.

Senator PROXMIRE. Fraud and ineligible students who receive benefits.

Mr. JAMES THOMAS. All students who actually fraudulently prepare documents who gain access to the loans or grants by falsifying the application documents; yes, sir.

Senator PROXMIRE. How common is that? Can you give us a percentage approximately?

Mr. JAMES THOMAS.No, sir.

Senator PROXMIRE. One percent, 10 percent?

Mr. JAMES THOMAS. I have no way of telling that.

Senator PROXMIRE. Can you give us any notion of how many?

Mr. JAMES THOMAS. No, sir.

Senator PROXMIRE. Can you try to do that for the record?

Mr. JAMES THOMAS. I can give you the results of our investigations for the record.

[The information follows:]

FRAUD IN STUDENT AID

Question. How common is fraud in the student financial aid program?

Answer. During the period April 1 to September 30, 1981, 65 percent of the 108 cases we opened involved student financial aid programs. The major type of fraud included falsification of application documents for loans and grants and misapplication of the funds at institutions.

EQUAL EMPLOYMENT OPPORTUNITY

Senator PROXMIRE. All right.

Now let me ask the other Mr. Thomas, Mr. Clarence Thomas, in the first place, I have always been interested as a member of the Appropriations Committee in finding out about the translation of civil rights into positions with the various agencies. How many blacks—what's the percentage of blacks in the Department of Education?

Mr. CLARENCE THOMAS. I believe it's 47 percent.

Senator PROXMIRE. Forty-seven percent in the whole Department?

Mr. CLARENCE THOMAS. I'm sorry. I don't have the figures for that. That's the EEO Office.

Senator PROXMIRE. I was thinking of the whole Department.

Mr. CLARENCE THOMAS. I don't know. The EEO Office has jurisdiction over those figures.

Senator PROXMIRE. Please get that for the record. How about women? What's the percentage of women?

Mr. CLARENCE THOMAS. I don't have jurisdiction over those figures.

Senator PROXMIRE. Will you get for the record the blacks and other minorities—or perhaps maybe some of the rest of you gentlemen can help me with the statistics on the employment of women.

Mr. CLARENCE THOMAS. I have those figures for the Office for Civil Rights.

Mr. OLMO. We can provide that information.

[The information follows:]

DEPARTMENT OF EDUCATION—MINORITY DISTRIBUTION

	Percent
Hispanic	3.0
American Indian	.3
Asian and Pacific islands	1.3
Black	33.7
White	61.3
Unknown	.4
Male	44.3
Female	55.7

CIVIL RIGHTS PROTECTION FOR STUDENTS

Senator PROXMIRE. The Office of Civil Rights, of course, is an important part, but it's a small part of the Department of Education.

Mr. CLARENCE THOMAS. The Office for Civil Rights is approximately 20 percent of the Department of Education.

Senator PROXMIRE. One-fifth. All right.

This morning's Washington Post reported that you are no longer going to enforce civil rights protection for students who take out guaranteed student loans. On what is this decision based? Who's responsible for rendering that decision?

Mr. CLARENCE THOMAS. The decision is a departmental decision. Policies of that nature are ultimately made by the Secretary of Education.

The Justice Department has coordinating responsibilities for it.

Senator PROXMIRE. On what did he base that decision?

Mr. CLARENCE THOMAS. The decision is similar to the decision that was rendered in the District Court case involving Grove City College. The court held there that although guaranteed student loans were Federal financial assistance they fell within the exception set up in the statute and the regulations, which is that contracts of guarantee are not to be considered Federal financial assistance for the purpose of obtaining jurisdiction over various institutions.

Senator PROXMIRE. Then I take it that this is a decision based on your construction of the court decision and the law and the intent of Congress; is that right?

Mr. CLARENCE THOMAS. That's right.

Senator PROXMIRE. So it's your position that the intent of Congress is that you should not enforce civil rights protections for students who take out guaranteed student loans?

CONTRACTS OF GUARANTEE

Mr. CLARENCE THOMAS. The contracts that guarantee student loans fall within the definition of contracts of guarantee as set out by Congress and as a contract of guarantee it does not give us jurisdiction over the institutions that we would otherwise have jurisdiction over.

Senator PROXMIRE. When was that decision rendered?

Mr. CLARENCE THOMAS. That decision was in a state of flux for I guess 6 months or so. I can't say that it was rendered at any particular time. The first publication of it or airing of it was in a footnote in a brief recently filed in the *Grove City* case by the Justice Department. There is no regulatory change in place at this point. We have not issued a notice of proposed rulemaking.

Senator PROXMIRE. Isn't that pretty much discretionary? For example, in 1976 lawyers for Edward J. Levy, who was President Ford's Attorney General, rejected the contract of guarantee exclusion, according to this article in the Washington Post. They said that GSL's are covered because the Government is paying huge interest subsidies as well as guaranteeing the bank loans will be repaid.

Mr. CLARENCE THOMAS. I don't think it's a matter of discretion as much as it is a matter of legal analysis. I have read the decision by the then Attorney General. The question was whether or not the subsidies went directly to the institutions. The subsidies that are indicated there are subsidies that go to the students who do not pay interest while they are in college and who pay below market interest after they graduate from college or from a graduate school. The second subsidy would be the interest payments that go directly to the bank. There are no payments directly to the institutions by the Federal Government.

Senator PROXMIRE. Well, there's no question in my mind—maybe I just have too simple a mind—but the way I look at it, it seems to me it's a subsidy and nobody can deny that a below-interest loan is a subsidy. The taxpayer has to pay for it. It's one of the biggest subsidies we have in education which, as you know, is growing at an enormous rate. It's a major part of our whole education program and it seems to me, on the basis of this latest interpretation, that it will not provide civil rights protections.

I take it you feel that if it is to be changed, it would have to be done by the Congress, right?

Mr. CLARENCE THOMAS. Not only in this area but in several other areas where there is language which indicates that certain types of—there are certain exceptions to the rules and you have the legal analyses which go both ways. This is the same sort of legal analysis that we were engaged in in the case of employment coverage under title IX.

Senator PROXMIRE. In view of the fact that this is a major or becoming the major Federal aid for higher education program, is there any indication that the Department may recommend to the President that they change the law so they could enforce civil rights protection for students who take out guaranteed student loans?

Mr. CLARENCE THOMAS. I'm not aware of any such recommendation, although I think many of us would recommend that some of these statutes be redrafted with more specificity.

Senator PROXMIRE. Well, I appreciate that, and your answer is a good lawyer-like answer, but—it's a matter of sentiment on my part and conviction and principle, that if you're going to have effective civil rights protection, it should cover the principal Federal aid for higher education program.

Mr. CLARENCE THOMAS. I share that sentiment, but I think we have to have a legal basis for implementing what our sentiments are.

Senator PROXMIRE. As you know, the administration is the prime initiator of legislation. Maybe that's not the way the Constitution seems to read, but it's a fact of life. If the administration recommends legislation it has an excellent chance of being enacted, especially in the Republican Senate, but in any event, the President is the real No. 1 legislative initiator and if he does not make that kind of recommendation it's going to be much more difficult for us to make this kind of change in the law.

Now the proposed fiscal 1983 budget would transfer OCR's litigation function to the Department of Justice. What's the nature of this litigation?

TRANSFER OF LITIGATION FUNCTION

Mr. CLARENCE THOMAS. Essentially, our litigation division is engaged in two types of work at this point. One is in-house legal advice. Second, they represent the Office for Civil Rights in administrative proceedings in those instances where the Department is seeking to terminate funds from institutions which have been found in violation of the civil rights laws and which have not corrected those violations.

The function, from a practical standpoint, which would be transferred to the Justice Department under the Foundation proposal would be the administrative proceeding representation of the Office for Civil Rights.

SOURCE OF DISCRIMINATION COMPLAINTS

Senator PROXMIRE. What are the main sources of discrimination complaints pending before your office?

Mr. CLARENCE THOMAS. The main sources of complaints—I could give you a general breakdown: 50.9 percent are in the area of the handicapped, section 504 complaints; approximately 13 percent are in title IX on sex discrimination; and approximately slightly less than 20 percent are in the area of title VI violations which would include race discrimination and discrimination against language minorities—bilingual education.

SUBMITTED QUESTIONS

Senator PROXMIRE. Well, gentlemen, thank you very much. I appreciate your testimony. We will submit questions for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PERSONNEL

Question: You are proposing a reduction of 501 full-time equivalent positions to be achieved largely through attrition. How many of these will be overhead positions?

Answer: Approximately 125 of the 501 positions will be overhead positions.

Question: How many positions under this appropriation are assigned to writing or revising the regulations?

Answer: Approximately 17 full-time equivalent positions under the Departmental Management Appropriation are assigned to the function of writing and revising the regulations. This estimate includes partial time for program staff, attorneys, and review staff as well as clerical support staff.

NEW FEDERALISM

Question: The 1983 Departmental Management budget request is based on adoption of the President's New Federalism proposal. Is there a contingency budget, in the event Congress does not adopt this proposal?

Answer: Details of the New Federalism initiative have not been finalized, and our FY 1983 Departmental Management budget is not based on the proposal. We do not expect it to impact this appropriation until Fiscal Year 1984.

FURLOUGH

Question: The budget justifications mention the possibility of furloughing all personnel, as a way of meeting the 4.8% October 1981 pay raise and January 1982 pay cap change. The Office of Management and Budget has not yet determined whether a supplemental budget request will be proposed to the Congress. How would this be implemented?

Answer: Since we do not have a final decision from OMB on the amount of the pay supplemental request, we have not finalized our plans for furloughs. We expect to receive about 50% of the pay raise increases which could mean three to eight days of furlough. We are considering a variety of options including closing all non-essential offices on a specific day every two weeks, staggering the days off of the individuals in each office, allowing employees to group their days off into specific time periods, and having half-day furloughs instead of full-day furloughs.

Question: What impact would such action have on the Department's activities?

Answer: There is no doubt the furloughs will disrupt Departmental activities. However, we will do everything possible to minimize the negative impact. Clients will be notified well in advance. Some activities require specialized employees, such as contracts and personnel specialists, and their work will have to be delayed. Wherever possible, employees will be reassigned to accomplish critical workloads such as making contract and grant payments and processing legally mandated reports. In general, most of our day to day activities will be delayed while employees are on furlough. Given the fact that furloughs will have to occur during the last five months of the fiscal year when the majority of our contract and grant awards are made, the Department could have severe problems in completing these activities in time to avoid lapsing the program funds.

TRAVEL

Question: For the record, provide a breakdown of estimated travel costs in 1982 and 1983.

Answer: Under the Departmental Management appropriation we expect to spend $4,640,000 in FY 1982 and $4,632,000 in FY 1983.

Question: How much of the current travel funds will be used for conferences, meetings, and conventions?

Answer: Based on the percentage of funds spent on these activities during Fiscal Year 1981, we estimate $1.2 million will be spent for Fiscal Year 1982. It is important to note that a majority of the trips that are recorded in our accounting system as being for conferences and meetings involve additional travel for on-site monitoring and technical assistance. The Department requires most program officials to combine site visits with their travel to meetings and conferences.

Question: Provide for the record how much was spent in 1981.

Answer: Under the Departmental Management appropriation we spent $4,420,600 for travel of which $1,168,900 was for conferences and meetings.

FOUNDATION FOR EDUCATION ASSISTANCE

Question: Do you have an estimate of how much administrative cost savings would be achieved by the proposal to change the Department into a Foundation? Please provide this for the record.

Answer: The administrative cost savings resulting from the creation of a Foundation would be minimal. However, the administrative cost savings from the Department of Education in Fiscal Year 1981 to the proposed Foundation for Education Assistance in Fiscal Year 1983 includes a reduction of 1,411 workyears and an estimated $56 million. This is a result of reductions, consolidation, and terminations of programs as well as improved efficiency in overall administration.

1983 MINIMUM FUNDING LEVEL

Question: Given that a substantial portion of the annual activities of the Office for Civil Rights is governed by various court orders and decisions, and by legislation and regulations, what is the minimum level of funding that will enable it to comply with these mandates?

Answer: The minimum level of funding required by the Office for Civil Rights (OCR) for fiscal year 1983 is $44,868,000. This will enable OCR to continue an effective and efficient civil rights program, and to comply with the *Adams* Order.

BUDGET IMPACT ON COURT ORDERS

Question: Will the fiscal year 1983 budget request diminish or enhance OCR's ability to address the specific requirements imposed by the court?

Answer: The fiscal year 1983 budget request of $44,868,000 will allow the Office for Civil Rights to continue an effective and efficient Civil Rights program aimed at assuring equal educational opportunity for all individuals. The most important factor influencing OCR's operation is the *Adams* court order, which has resulted in approximately 95 percent of OCR staff being devoted exclusively to complying with court ordered activities. This budget request will permit OCR to continue efforts to increase complaint handling efficiency, to make the complaint processing program more effective, and to secure the support and cooperation of education institutions. Careful targeting of mandated compliance reviews should result in policy or program changes which benefit a large number of students and vulnerable groups, such as the poor or non-English speaking persons, who tend not to file complaints.

COMPLAINTS PENDING

Question: How many discrimination complaints are currently pending investigation by your office?

Answer: As of February 28, 1982, there were 1,424 discrimination complaints pending in the Office for Civil Rights. These complaints were in various stages of the investigation process.

IMPACT OF BLOCK GRANT

Question: What are the major differences in civil rights enforcement as a result of the block grant?

Answer: The impact of the consolidation of programs in the block grant is expected, for the most part, to be minimal. The programs which are included in the block grant are comparatively small ones, which made up a relatively small proportion of Federal funding for local education. Additionally, several of the large grants historically have been funded through the States, with few funding programs going directly to the local agencies. Hence, the shift to block grant funding has caused little change in our operation.

One significant difference brought about by the block grant results from the inclusion of the Emergency School Aid Act (ESAA) program in the consolidation. ESAA authorized Federal financial assistance to meet special needs incident to desegregation and to encourage the voluntary elimination, reduction, and prevention of minority group isolation in elementary and secondary schools. To be eligible, applicants had to have a desegregation plan which qualified under the ESAA regulations, and be in compliance with certain racial and ethnic civil rights related provisions in the regulations. By "blocking" the ESAA program, and thereby eliminating pre-grant compliance as a precondition to the award of Federal financial assistance, an important tool for the prevention and elimination of unlawful discrimination has been lost.

SHARING CIVIL RIGHTS ROLE WITH STATES

Question: Last year, OC was considering the development of models for sharing the Federal Civil Rights role with the States. What is the status of this plan?

Answer: In October 1981, the Assistant Secretary for Civil Rights approved a concept paper designed to expand OCR's technical asistance activities in a number of areas. One aspect of this proposal was an effort to enhance the capacity of States and local agencies to undertake civil rights compliance activities. To date OCR's efforts had focused on gathering information on similar programs being operated elsewhere in government, principally at the EEOC and HUD. These agencies compensate State and local agencies certified as having statutory mandates comparable to the Federal statutes for part of the cost of investigation complaints. Under this arrangement, the Federal government accepts or rejects the State or local investigations as adequate pursuit of the Federal complaint and takes appropriate follow-up action.

This is only one of a number of options OCR is pursuing. Other options in the planning stage include cooperative projects with recipient institutions and school districts and techncial assistant programs with the States.

ISSUES IN 1982 COMPLIANCE REVIEWS

Question: The Adams consent order requires OCR to conduct an appropriate number of compliance reviews to ensure adequate enforcement of the applicable laws. Moreover, these reviews must be geographically dispersed and cover all of OCR's jurisdictional authorities. Please provide the Subcommitttee with a list of the issues to be covered in fiscal year 1982.

Answer: The issues to be covered by compliance reviews in fiscal year 1982 are outlined and described below:

ELEMENTARY AND SECONDARY EDUCATION

Issue	Description of Violation
Within School Discrimination: Classroom Assignments, Tracking and Ability Grouping, Special and Physical Education and Secondary School Athletics	Discriminatory assignment of students on the basis of race, national orgin, sex and/or handicap to courses (including industrial arts and home economics), classrooms, special programs, ability groups, and physical education programs. (Special programs would iinclude those for the educable mentally retarded as well as those for the gifted or talented, e.g., advanced mathematics or science.) This issue would also cover biased counseling and appraisals of students as well as unequal opportunities involving athletics.
Vocational Education: Access, Admissions and Job Placement	Discrimination on the basis of race, national origin, sex and/or handicap in vocational education programs and courses.
Special Purpose Schools: Program Availability and Least Restrictive Environment	Discrimination in admissions, accessibility, treatment or employment in State administered special purpose schools on the basis of race, national origin, sex and/or handicap.
Unserved Special Education	Discrimination in the provision of a free and appropriate education on the basis of handicap.
School Segregation	Discriminatory assignment of students to schools on the basis of race or national origin.
Identification of and Services to Limited-English-Proficient (LEP) Children	Discrimination against non-English-speaking (NES) or limited-English-proficient (LEP) children.
School Discipline: Expulsions and Suspensions	Discriminatory disciplinary treatment of students on the basis of race, national origin, sex and/or handicap.

POSTSECONDARY EDUCATION

Issue	Decription of Violation
Program Accessibility for the Handicapped	Lack of program accessibility and accommodations for handicapped students in postsecondary school programs.
Graduate and Professional Schools: Admissions	Discrimination on the basis of sex, race and/or national origin in admissions to graduate and professional schools.
Intercollegiate Athletics: Overall Program Equality	Lack of comparable intercollegiate athletic facilities and programs for women based on their interests and abilities
Vocational Education: Access, Admissions and Job Placement	Discrimination on the basis of race national origin, sex and/or handicap in vocational education programs and courses.
Student Services	Discrimination on the basis of race, national origin, sex and/or handicap in the provision of services such as financial aid, housing, counseling and tutorial services, health services and insurance benefits, and/or student employment and placement services.
Vocational Rehabilitation Services	Discrimination in the provision of services and benefits to individuals on the basis of handicap, race and/or national origin.

DEPARTMENT OF JUSTICE IN CIVIL RIGHTS

Question: Does the Department of Justice supervise your enforcement of the civil rights laws under your jurisdiction?

Answer: The Department of Justice is given responsibility, under Executive Order 12250, "Leadership and Coordination of Nondiscrimination Laws", to coordinate the implementation and enforcement for all executive agencies of the nondiscrimination provisions of: Title VI; Title IX; Section 504; and any other provision of Federal statutory law which provides that no person in the United States shall be excluded from participation in, denied the benefits of, or be subject to discrimination under any program or activity receiving Federal financial assistance, on the basis of race, color, national origin, handicap, religion, or sex.

The only civil rights law which the Department of Education enforces, for which the Department of Justice does not have leadership and coordinating authority, is the Age Discrimination Act.

1981-1982 TITLE IX COMPLAINTS

Question: How many complaints have you received this year under Title IX of the Civil Rights Act?

Answer: During fiscal year 1981 OCR received 341 complaints under Title IX of the Civil Rights Act which 12 percent of the total. During the first quarter of fiscal year 1982 (October - December, 1981) OCR received 39 complaints under Title IX which was 7 percent of the total complaints received.

STATUS OF WORKLOAD - ADAMS CASE

Question: What is the status of your workload resulting from the 1977 Court Order in the Adams Case?

Answer: During fiscal year 1981 OCR complied with the Adams court ordered time frames for complaint processing 69 percent of the time, and with the time frames for compliance review processing 23 percent of the time. On March 15, 1982 Judge Pratt ordered the Office for Civil Rights to negotiate a new consent agreement with the Adams plaintiffs by August 15, 1982, to take into account different types and complexities of cases.

CONSULTANT SERVICES

Question: How much of the 1983 budget request would go towards consultant services and for what sorts of activities?

Answer: In fiscal year 1983, OCR proposed to spend $853,000 for consultant services. The type of projects which would be funded are surveys such as the Adams mandated "Progress in Implementing Statewide Higher Education Desegregation Plan," and data analysis and techncial support for complex cases.

OFFICE OF CIVIL RIGHTS JURISDICTION

Question: The press reports that the Department of Education is considering major changes in its civil rights rules covering school and college programs. Present rules cover all programs run by a school receiving Federal aid and have fueled court challenges by schools and colleges that argue the Department can only investigate programs directly funded by the Federal government. What is the status of the Department's proposed new interpretations?

Answer: It is an overstatement to say that the Office for Civil Rights claims jurisdiction over all programs run by a recipient school. OCR's traditional position, however, is that it has quite broad jurisdiction and this is being reviewed. The review is being done through an analysis of the statutory phrase "program or activity."

EDUCATION CONSOLIDATION AND IMPROVEMENT ACT EFFECT

Question: What reductions have been made in the proposed budget as a result of the Education Consolidation and Improvement Act?

Answer: Our fiscal year 1983 budget does not reflect any reductions as a result of the Education Consolidation and Improvement Act.

PROGRAMS SUSCEPTIBLE TO FRAUD

Question: Other than the Student Finanical Assistance programs, are there any others which are particularly susceptible to fraud?

Answer: The vast majority of the investigations opened by the Inspector General over the last two semi-annual reporting periods have involved the Title IV Student Financial Assistance programs. The remainder of the investigations involved at least 30 other ED grant programs, and non-program specific areas which were primarily employee misconduct cases. Due to the short period of time we have been in existence no discernable trend has been identified in these non-SFA cases which would tend to identify specific programs as more susceptible to fraud than other programs.

Since the Title IV SFA programs require millions of individuals to file applications containing income, financial, and family information to establish eligibility for the grants and loans, these programs will continue to generate a sustantial portion of our cases because of the large number of recipients.

INTERACTION WITH OTHER DEPARTMENTS

Question: What sort of interaction does your office have with the Department of Justice and the Federal Bureau of Investigation?

Answer: As provided for in the Inspector General Act of 1978, the Office of Inspector General is responsible for supervising and conducting audits and investigations relating to programs and operations of the Department. The Inspector General Act also requires the Inspector General to report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law. Within this Department, the Assistant Inspector General for Investigation is responsible for the performance of all investigative activities relating to programs and operations.

As mandated by the Inspector General Act and expanded upon by the recent policy statement of the Department of Justice on its relationship with the statutory Inspector General, our Office of Investigation is responsible for establishing and maintaining effective working relationships with and reporting to the appropriate U.S. Attorney, the FBI or other Federal enforcement agency, criminal violations relating to ED programs and developed through field investigation with the FBI and are currently involved in numerous joint investigations.

Additionally, the Office of Investigation has developed a close working relationship with the Department of Justice's Criminal Divsion of the Immigration and Naturalization Service. This has resulted in the initiation of a nationwide project to combat abuses in the Title IV SFA programs by ineligible aliens.

ESTIMATED AUDITS AND INVESTIGATIONS

Question: How many audits and investigations do you estimate will be carried out by your office during fiscal year 1983?

Answer: In fiscal year 1981, 328 investigation cases were opened; and through the first 4 months of fiscal year 1982 (1/31/82) 85 cases were opended. Based on this limited statistical base, it appears that case opening may average between 250-300 per fiscal year. However, we have initiated a nationwide investigative project which may substantially increase the number of cases opened in fiscal year 1983.

We estimate that approximately 350 audits can be initiated during the fiscal year. These audits will represent external reviews of grantee operations and contractors to determine compliance with Federal grant and contracting requirements. In addition, we will conduct internal reviews of Department of Education administrative and program operations to evaluate how effectively and efficiently these activities are being accomplished.

STAFFING

Question: What percentage of your staff are located in Washington and in the regional offices?

Answer: Of our current on board staff.73 percent are located in the regional offices and 27 percent are located in Washington.

SUBCOMMITTEE RECESS

Senator PROXMIRE. The subcommittee will recess until Tuesday, March 23 at 3 p.m. in room 1114 of the Dirksen Building.

[Whereupon, at 11:20 a.m., Thursday, March 18, the subcommittee was recessed, to reconvened at 3 p.m., March 23.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

THURSDAY, APRIL 15, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 1:20 p.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Harrison Schmitt (chairman) presiding.

Present: Senators Schmitt, Hatfield, Weicker, Abdnor, Rudman, and Burdick.

DEPARTMENT OF EDUCATION

STATEMENT OF HON. TERREL H. BELL, SECRETARY OF EDUCATION

ACCOMPANIED BY:
- DR. ED ELMENDORF, DEPUTY ASSISTANT FOR STUDENT ACTIVITIES
- GARY L. JONES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION
- SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SYSTEMS AND SERVICES
- WILLIAM DINGELDEIN, ACTING DIRECTOR, PROGRAM PLANNING AND BUDGET ANALYSIS
- EDWARD CURRAN, DIRECTOR, NATIONAL INSTITUTE OF EDUCATION

SUBCOMMITTEE PROCEDURE

Senator SCHMITT. The hearing will come to order.

I am pleased today on behalf of the committee to welcome Ted Bell. Every time I see "Terrel H.," I wonder who that is. The Secretary of the Department of Education is our witness this afternoon. The Secretary will present in testimony, we hope, the administration's fiscal 1983 budget request for the Department.

As the committee is aware, the Department of Education's budget was submitted in the form of a foundation for education assistance. However, since this proposal has not yet been acted upon by the Congress or even, I believe, formally presented as yet to the Congress, we will focus our education hearings much the same as we have in the past—that is, on the current structure of the programs within the Department of Education.

PREPARED STATEMENT

Secretary Bell, I understand that your wife is in the audience. We welcome her as well as yourself. And if you would like to introduce those of your colleagues who wish to help you in this afternoon's proceedings, and also, summarize your statement, I can proceed with questions.

[The statement follows:]

STATEMENT OF TERREL H. BELL

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to be here to discuss our fiscal year 1983 budget proposal for Federal education programs. You have already heard testimony from and questioned other Department officials. Accordingly, the purpose of my testimony will be to discuss overall objectives and to summarize our budget request.

Our recommendations for fiscal year 1983 reflect one underlying theme: That education is primarily a responsibility of teachers, parents, State and local officials, and educational institutions. The President's concern that we preserve this tradition of grass roots control of education is reflected in our proposal to move to a foundation type structure to manage the programs that will remain in the limited Federal role that the Government should play in education.

The limited Federal role includes carefully targeted Federal assistance such as providing a core of continuing research and statistical services; compensatory programs for the disadvantaged and handicapped; student financial aid through grants, loans, and work-study; block grants and consolidated aid to State and local educational agencies; and civil rights complaints investigations, negotiations for voluntary compliance, and referral to the Justice Department for enforcement.

Budget Summary

Our fiscal year 1983 budget request for the proposed Foundation of $8.8 billion, when added to the programs which would be transferred to other agencies, totals $10 billion for programs now in the Department. This reduced funding must be viewed in the context of a very critical fiscal situation. With projections of a deficit in excess of $120 billion, it is necessaary to consider somewhat austere budgets for education and other Federal programs.

Rescissions proposed for 1982 total just over $1 billion, but will be offset by supplementals totalling $989 million, primarily for the Guaranteed Student Loan Program. Thus, our revised 1982 request of $11.2 billion is just $58 million less than the Continuing Resolution level.

We know these reductions will not be achieved without some pain. However, we anticipate that many of these reductions in Federal funds will be partially offset by increased State, local, and individual contributions that will be possible if a revitalized economy improves tax bases for property, sales, and State income taxes by 1983 and school year 1983-84. Of the $181 billion spent nationwide on education, only about 10 percent comes directly from the Federal Government.

In making these difficult but necessary choices, we have attempted to spread the burden as fairly as possible among various beneficiaries of our programs while still reflecting priority areas.

Student Assistance

In 1983 our budget attempts to contain the spiraling costs of Federal student assistance programs. I will attach to my statement and include for the record five charts which make the following points:

- While the percentage increase in Federal Student aid appropriations has gone up 102 percent since 1976, student costs for tuition, fees, room, and board have increased 45 percent (chart 1).
- The percentage increase in appropriations for both Pell Grants and Guaranteed Student Loans has risen much more dramatically than the percentage of higher education enrollments through 1981 (chart 2).
- The number of students receiving Pell Grants has increased 39 percent and the number of students receiving Guaranteed Loans has increased 172 percent since 1976, while higher education enrollment has increased only 8 percent (chart 3).
- The average size of Pell Grants went up 8 percent from the 1978-79 school year to 1980-81 and the average Guaranteed Student Loan went up 11 percent, while the average parental contribution went down 6 percent (chart 4).
- In summary, the percentage increase in Federal aid since 1976 has far exceeded the percentage increase in higher education enrollment and student costs (chart 5).

Of course, the largest part of the increase in Federal student aid is attributable to the Guaranteed Student Loan program which has experienced a growth of 900 percent in just six fiscal years, from a cost to the Federal Government of $367 million in 1977 to a projected cost in 1983 of $3.4 billion under current law. This dramatic increase results from uncontrollable costs of subsidizing loans to higher education students while they are in school, and paying special allowances to banks and other lenders.

Our 1983 budget requests $2.485 billion for the Guaranteed Student Loan program. Our GSL reform proposal builds upon savings provisions instituted under the 1981 Reconciliation Act. The four major changes would: (1) raise the loan origination fee from 5 to 10 percent; (2) require an analysis of need for all students, regardless of family income level; (3) eliminate special allowances to lenders two years after the borrower leaves school; and (4) require graduate students to borrow at 14 percent under the new auxiliary loan program rather than 9 percent under the regular student loan program. We are also proposing to raise insurance premiums for lenders of federally insured loans and to charge guarantee agencies a new reinsurance premium. The budget would result in savings from current law of $309 million in 1982 and $912 million in 1983. Even with these savings, it is still necessary to request a supplemental of $978 million for this fiscal year. Your counterparts in the House have rejected the savings proposals and thereby increased their supplemental estimate to $1.3 billion.

We have already transmitted legislation proposing the savings changes to the authorizing committees. The authorizing legislation proposal is consistent with the provisions included in our requested appropriation language.

Despite these changes and budget reductions in other student aid programs, I can still say that our student financial aid proposal provides:

- An assurance that needy students will have access to a postsecondary education;
- Priority consideration for disadvantaged youth for Pell Grant funding:

  Our proposal will allocate nearly 80 percent of the Pell Grant dollars to students from families with an adjusted gross income of $12,000 or less, while still providing awards to students from an average family of four, having an adjusted gross income of $18,000;

- Assistance under the Guaranteed Student Loan program to any student who can demonstrate a need, and to any parent regardless of need; and
- Continued support for campus-based work-study.

In short, we are targeting on the neediest students, and we are also asking that students and parents, where they are able, contribute a greater share of college costs.

Program Consolidations

The 1983 budget furthers the progress begun in the past year toward consolidating and simplifying the administration of education programs. The budget assumes passage of legislation modifying Vocational and Adult Education, Education for the Handicapped, and the Vocational Rehabilitation programs. These three separate legislative proposals will reduce the myriad of regulations for similar programs, relieve restrictive administrative requirements, and increase State and local flexibility for use of the funds, while still maintaining the key elements of the existing laws. These consolidations are important not only for the administrative burdens they will relieve, but also for the relief from the associated costs which districts and States have incurred to carry out these laws.

Our request under a Vocational Education Consolidation is $500 million. This reduced level reflects the fact that State and local governments currently spend 11 times the Federal contribution to vocational education.

Our budget for programs under the consolidation of Special Education State Grant programs would be $772 million which includes the Chapter 1 handicapped programs. Reductions for 1983 in this area will lower the average Federal share by only $11 per child, or about one-half of one percent of the total costs of educating those children. For Special Education discretionary programs, $74 million is requested to fund a consolidation of discretionary activities into a single authority for such projects.

For Rehabilitation Services, $624 million is requested to support an amended Basic State Grants program and a variety of discretionary activities. The proposed consolidation would provide for administrative simplification of Basic State Grants by paring down Federal requirements and permitting more coordinated planning at the State level.

Other Programs

Our request for Chapter 1 of the Education Consolidation and Improvement Act is $1.9 billion, more than for any program other than Guaranteed Student Loans. At the request level, the program is expected to serve about 4.7 million children with a Federal contribution of $400 per child. The proposed reduction represents about three percent of the total cost of educating these children since most of the funds for their education come from State and local, rather than Federal sources.

We believe that States and local districts could make several choices to offset the decreased Federal contribution. They might reallocate funds from other lower priority State and local spending or add to State and local spending. They might determine whether some less costly programs would meet their needs equally well as the ones they have been using, or target funds more tightly to those schools enrolling the most needy students. We will continue to identify and disseminate exemplary low-cost programs, particularly those that emphasize basic skills. Our appraisals indicate that there are successful supplementary programs in the $300 to $400 per student funding range. In addition, the 1981 legislative changes should result in savings achieved through administrative simplification, such as more individual consultation with parents and less convening of formal councils.

For Chapter 2 Block Grants for Improving School Programs, we are requesting $433 million. Because of the high priority in funding this consolidation of 42 elementary and secondary programs, no rescission is requested for fiscal year 1982 and only a slight decrease is proposed for fiscal year 1983.

For Bilingual Education, we are proposing $94.5 million. This program will undergo certain modifications in 1983: (1) basic grants eligible activities will be broadened in order to allow school districts greater latitude in designing their own programs; (2) desegregation grants will be eliminated as a separate activity, but can still be funded under the basic grants program; and (3) the three types of Bilingual Education centers will be consolidated into one type of Resource Center, whose principal focus will be training but will also cover materials development and program evaluation.

The total request for Impact Aid for fiscal year 1983 is $287 million. The most important feature of the 1983 Impact Aid strategy is that Section 3 payments would be made only to districts with "a" children, those whose parents live and work on Federal property or are in the uniformed services, at a rate of 80 percent of what they receive in 1982 for "a" children. No payments will be made for "b" children whose Federal connection does not interfere with their families' contribution to local school revenues.

Our proposed elimination of library programs reflects the success of this Federal effort over the past 25 years in stimulating State and local support to expand library access to all segments of our population. In fact, State and local governments now spend twenty times the Federal contribution in this area.

Research and Statistics

One of the key Federal functions in education is the support of research and the collection of statistics. For research and development, the budget requests $53.6 million; for education statistics, the budget includes $8.7 million.

Major efforts will continue to be directed toward the issues of excellence and basic skills--for instance, how children can improve their reading and mathematical skills, how teachers can be more effective, and how schools can better manage their finances. Understanding how students learn to read and comprehend language and identifying the best methods to be used in teaching basic skills are problems confronted by almost all schools. We will continue to support such investigations and provide assistance to schools as they pursue this knowledge.

In summary, we encountered a most difficult task in developing a budget within the confines of a $10 billion allowance. These limits were necessary because of the large budget deficits we face. Even within this severe fiscal climate, I believe that we have kept our priorities in order.

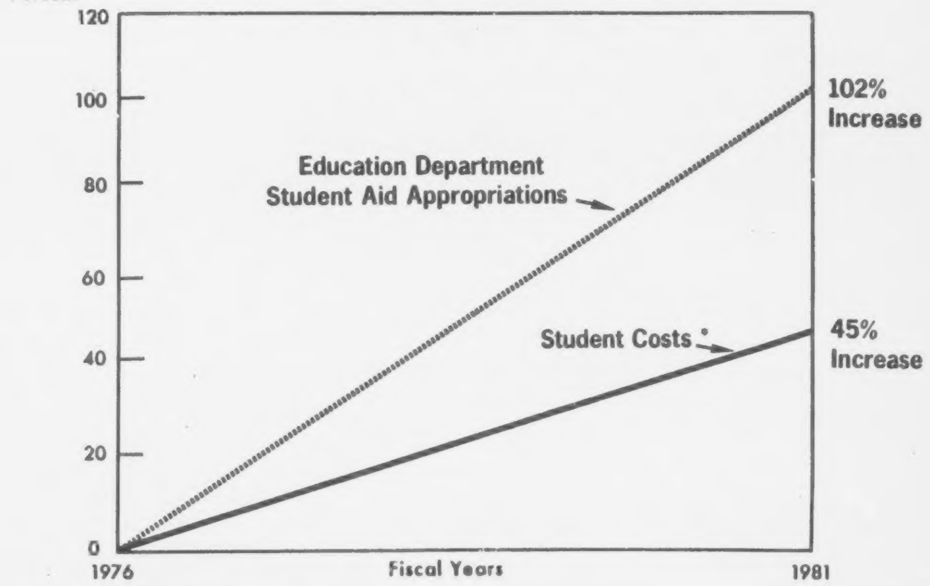
It is within this overall context that I ask you to consider very carefully our proposed education budget. We look forward to working with you and your colleagues in the coming weeks on these crucial issues.

In closing, I emphasize that we need this subcommittee's support in holding the budget to our total of $10 billion. Our fiscal situation requires this restraint.

I will be happy to answer any questions you may have.

CHART 1

Education Department Student Aid Appropriations Compared to the Cost of Attendance at Institutions of Higher Education FY 1976 to FY 1981

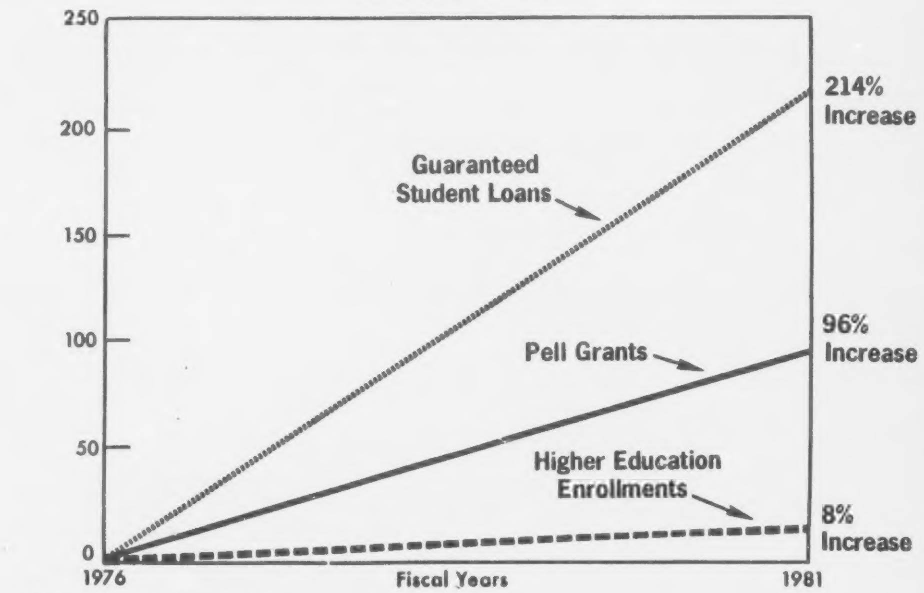


SOURCE: U.S. DEPARTMENT OF EDUCATION

* INCLUDES TUITION, FEES, ROOM AND BOARD.

CHART 2

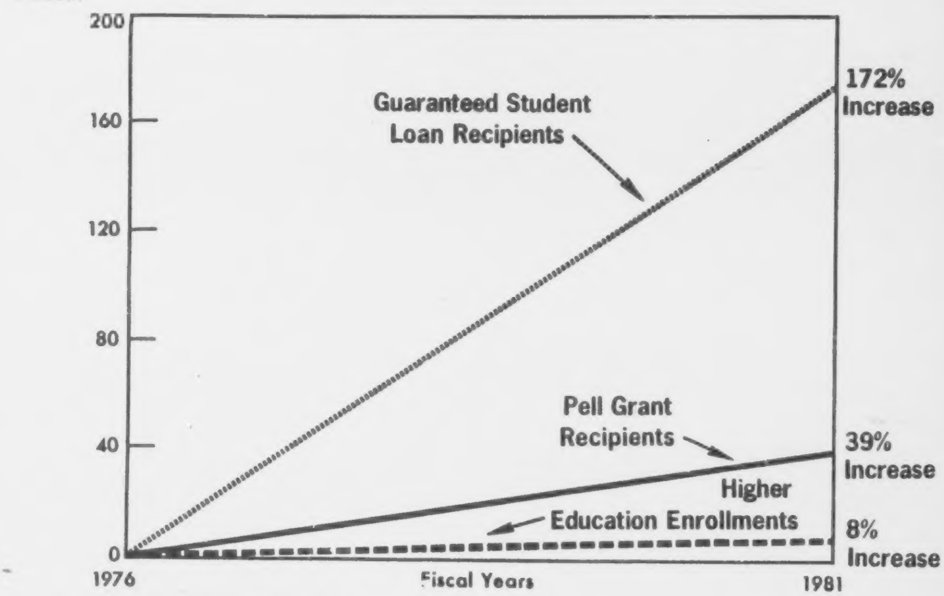
Education Department Appropriations for Pell Grants and Guaranteed Student Loans Compared to Enrollment in Institutions of Higher Education FY 1976 to FY 1981



SOURCE: U.S. DEPARTMENT OF EDUCATION

CHART 3

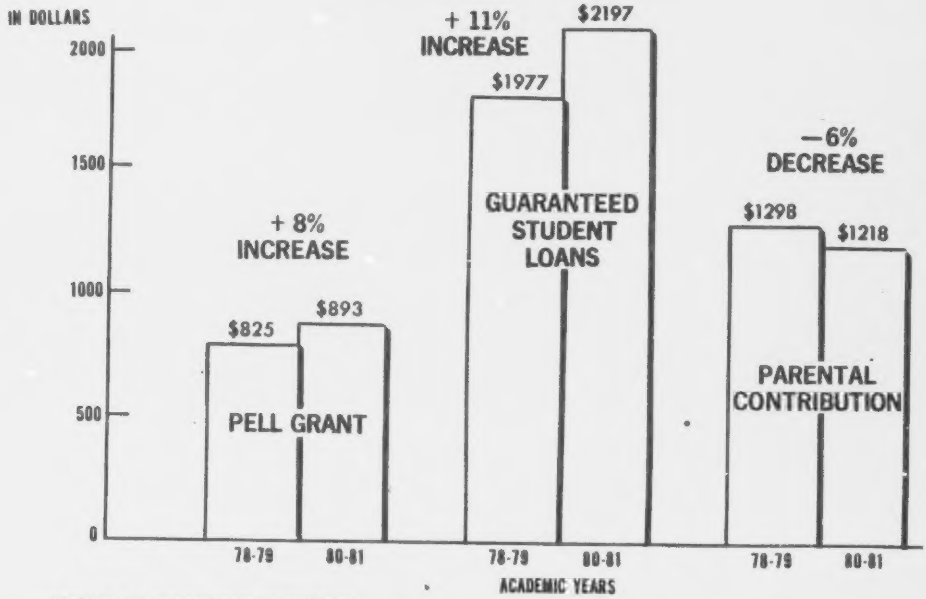
Recipients of Pell Grants and Guaranteed Student Loans Compared to Enrollment in Institutions of Higher Education
FY 1976 to FY 1981



SOURCE: U.S. DEPARTMENT OF EDUCATION

CHART 4

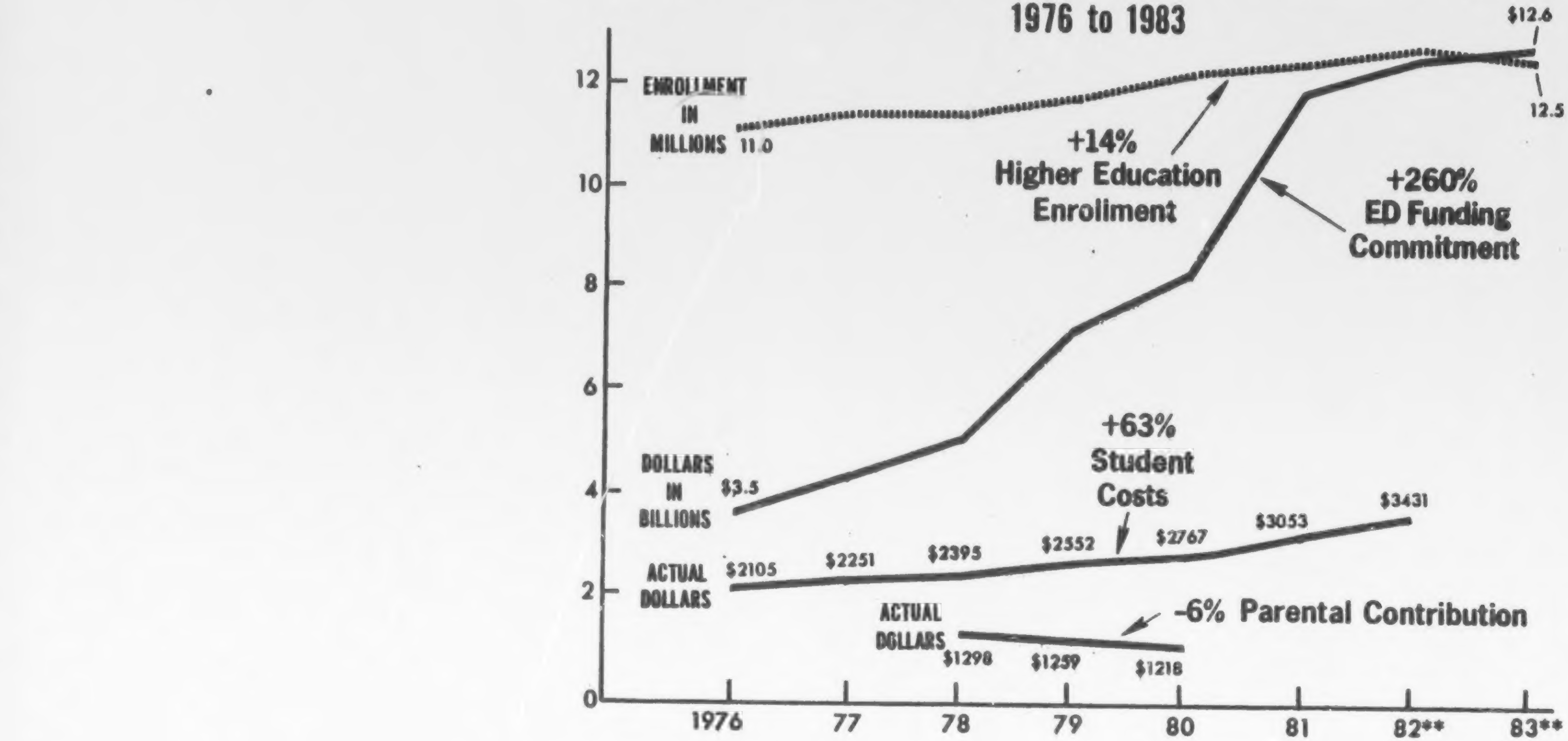
Average Awards for Pell Grants and Guaranteed Student Loans Compared to Average Parental Contribution
Academic Years 1978-79 to 1980-81



SOURCE: U.S. DEPARTMENT OF EDUCATION

CHART 5

History of Higher Education Enrollment, Student Costs, Parental Contribution, and Student Financial Assistance Supported by the Department of Education 1976 to 1983



Source: Department of Education

** ESTIMATED

Biographical Sketch

NAME : Terrel H. Bell

POSITION : Secretary of Education

BIRTHPLACE AND DATE : Lava Hot Springs, Idaho, November 11, 1921

FAMILY : Married, 4 sons

EDUCATION : Lava Hot Springs High School, 1940, High School Graduate
Southern Idaho College of Education-Albion, 1946, B.A.
University of Idaho, 1954, M.S. in Educational Administration
Stanford University, 1954, Graduate Study
University of Utah, 1961, Doctorate in Educational Administration (with allied field in Political Science)

EXPERIENCE :

PRESENT : Secretary, United States Department of Education

1976-1980 : Commissioner and Chief Executive Officer, Utah System of Higher Education, Salt Lake City, Utah
1974-1976 : U.S. Commissioner of Education, U.S. Office of Education, Department of Health, Education and Welfare, Washington, D.C.
1971-1974 : Superintendent, Granite School District, Salt Lake City, Utah (Utah's largest school system -- 63,000 students)
1970-1971 : Deputy Commissioner for School Systems, U.S. Office of Education (served for six months as Acting U.S. Commissioner of Education)
1963-1970 : Utah State Superintendent of Public Instruction, Salt Lake City, Utah
1962-1963 : Professor and Chairman, Department of Educational Administration, Utah State University, Logan, Utah
1957-1962 : Superintendent, Weber County School District, Ogden, Utah
1955-1957 : Superintendent, Star Valley Schools, Afton, Wyoming
1954-1955 : Ford Foundation Fellowship in School Administration -- University of Utah and Stanford University
1947-1954 : Superintendent, Rockland Valley Schools; Rockland, Idaho
1946-1947 : Athletic Coach and Science Teacher, Eden Rural High School, Eden, Idaho
1942-1946 : First Sergeant, U.S. Marines in Pacific Area (World War II)

HONORS AND AWARDS : Secretary's Special Citation for outstanding service to HEW (from Secretary David Mathews), 1976
Secretary's Special Citation for encouraging schools and colleges to improve the quality and management of the Nation's educational enterprise (from Secretary Caspar Weinberger), 1975
Certificate of Merit of State Boards of Education, Edinboro State College, Edinboro, Pennsylvania, 1975
University of Idaho Alumni Association Hall of Fame, 1975
Honorary Doctorate of Humanities Degree, Westminster College, 1974
Gautrelet Award of Spring Hill College of Mobile, Alabama, 1974
Honor of Merit, National Federation of Urban/Suburban School Systems, 1974
Distinguished Service Award, National Association of State Boards of Education, 1973
Secretary's Special Citation for outstanding service to HEW (from Secretary Elliot Richardson), 1971

HONORS AND AWARDS (CONTINUED):
Commissioner's Distinguished Service Award (from Commissioner Sidney P. Marland, Jr.), 1971
Outstanding Service Award, Utah School Boards Association, 1970
Honorary Doctorate of Humanities, Southern Utah State College, 1970
New Junior High School in Weber County, Utah named "T. H. Bell Junior High School", 1963

BOOKS AND PUBLICATIONS:

Active Parents' Concerns, Prentice Hall, Inc., Englewood Cliffs, New Jersey, 1974

MBO: A Performance Accountability System for School Administrators, Parker Publishing Company, West Nyack, New York, 1974

Your Child's Intellect: A Parent's Guide to Home Based Preschool Education. Olympus Publishing Company, Salt Lake City, Utah, 1972

Effective Teaching: How to Recognize and Reward Competence, Exposition Press, New York, New York, 1960

A Philosophy of Education for the Space Age. Exposition Press, New York, New York, 1960

The Prodigal Pedagogue. (a novel) Exposition Press, New York, New York, 1956

INTRODUCTION OF ASSOCIATES

Secretary BELL. Very good. I am pleased to do that, Mr. Chairman. It's a pleasure to be before you and your committee members this afternoon. I am happy to introduce on my left, Sally Christensen, who is Budget Director for the Department of Education. On Sally's left, Dr. Ed Elmendorf, who is Deputy Assistant Secretary for Student Aid. On my right, William Dingeldein, who is Acting Director for Programing and Planning in our office.

I'll just summarize briefly the statement.

Senator SCHMITT. Mr. Secretary, your entire statement will be made a part of our record, without objection.

Secretary BELL. Very good. I'll discuss some of the issues and problems that we considered at the time this budget was put together, and then be ready to respond to questions.

As is well known, this administration has been struggling with some—it's almost trite to say it—very serious fiscal problems. As we discussed in the administration the budget level for education, that, of course, was an overriding concern.

We have arrived at an overall figure of approximately $10 billion after a considerable amount of deliberation and following the procedures that we follow in the administration for arriving at those numbers, which I'm pleased to say includes opportunity for a considerable amount of discussion and dialog and sharing of views.

We just didn't select that as a big round number. We looked at what we thought we could do under the pressures of the budget and what reductions in expenditures we felt might be attainable. For the budget that we'll be discussing, I think it's useful to keep in mind that I had to work within that dollar amount.

STUDENT LOAN PROGRAM

The big concern that we had was how to estimate the costs of our one large entitlement program—namely, the guaranteed student loan program. I'm sure the committee is aware of the fact that we had to request a supplemental for a 55-percent increase to meet the unanticipated demand for this year, just under another billion dollars for that program. It's been the subject of a great amount of public discussion and is a subject of concern for us. We want to provide access and choice in higher education, and we want to do that within the constraints of the budget pressures that we're facing.

I might just take a moment, if I may, to present some charts to you that would give us some history of the student aid program. I'll ask Mr. Skelly to help me. It will be over here on the right. I hope that you can see these. If they're not easily visible, I think you have copies of these with your statement.

This first chart, Mr. Chairman, tries to portray the immediate past history of student assistance, from 1976 up to 1981. Then I'd like to present a chart that shows the impact of our trying to contain that growth in 1982 and 1983. We tried to show here the increase in student costs and the increase in the Education Department's student aid appropriations. There was a 45-percent increase in student costs. During that time, we have increased our student aid appropriation 102 percent.

Senator SCHMITT. Mr. Secretary, by student costs, you mean it's an estimate for the total cost to students for attending institutions of higher learning, or is it costs that you would designate as essential—tuition, food, lodging, and so forth?

Secretary BELL. Yes; it's the cost of attending an institution and the increase over that time. That's quite carefully documented.

Senator SCHMITT. Those are essential costs.

Secretary BELL. Yes.

Senator SCHMITT. Those are not peripheral or recreational costs, and the like.

Secretary BELL. That's correct, Mr. Chairman.

Senator SCHMITT. Could you provide for our record—oh, I see, you have a master there.

Secretary BELL. Yes.

Senator SCHMITT. Tuition, fees, room, and board.

Secretary BELL. Yes; which are what we consider the cost of attending college. Some argue about including room and board, saying a little bit facetiously that you have to have room and board whether you're in school or not. But we acknowledge that there are additional costs there, especially for those who have to live away from home.

The second chart I'd like to present to the committee gives the percentage increase in appropriations for both Pell grants and the guaranteed student loans.

STUDENT COSTS

Senator SCHMITT. Sorry to interrupt again, but at the University of New Mexico, for example, they have a very unusual, at least I think unusual, student population in that the undergraduate students, I believe, have an average age of something like 26 years.

Secretary BELL. Yes.

Senator SCHMITT. Most of them are married, most of them are carrying second jobs. They are not enrolled in order to graduate in 4 years. It's generally 6 or 7 years graduation time. Would that be an unusual circumstance in the calculation of student costs?

Secretary BELL. It surely would and would not be represented on the chart that I just presented because that would be a picture, I think, that would not be typical of most of our institutions nationwide. We're showing nationwide information here.

Senator SCHMITT. Could you try to provide for our record some details on different types of institutions and how they vary in terms of student population, age, marriage, other indirect aspects that may affect the cost of an education?

Secretary BELL. Yes; I think that we could do that out of the information that we have from the Student Aid Office.

Senator SCHMITT. If it already exists in the form of reports or something, just give us copies.

Secretary BELL. I'm sure that we can get that for you.

[The information follows:]

STUDENT CHARACTERISTICS

The most recent complete data on such student characteristics comes from the Census Bureau publication "School Enrollment—Social and Economic Characteristics of Students: October 1979."

The following table displays the data compiled on the maritial status of the college population by type of institution, attendance status, age, and sex.

Table 23. Marital Status of College Undergraduates 14 to 34 Years Old, by Type of College, Attendance Status, Age, and Sex: October 1979

(Numbers in thousands. Civilian noninstitutional population. For meaning of symbols, see text)

Age, full-time attendance, and type of college	Both sexes			Male			Female		
	Total enrolled	Married, spouse present		Total enrolled	Married, wife present		Total enrolled	Married, husband present	
		Number	Percent		Number	Percent		Number	Percent
ALL COLLEGES									
Total	8,267	1,294	15.6	4,106	630	15.3	4,183	664	15.9
14 to 19 years	3,156	31	1.0	1,470	8	0.5	1,687	22	1.3
20 and 21 years	2,308	132	5.7	1,172	40	3.4	1,136	93	8.2
22 to 24 years	1,297	301	23.2	715	145	20.3	583	156	26.8
25 to 34 years	1,526	831	54.5	748	436	58.3	777	394	50.7
Attending Full Time									
Total	6,225	459	7.4	3,172	251	7.9	3,054	207	6.8
14 to 19 years	2,892	16	0.6	1,346	6	0.4	1,546	10	0.6
20 and 21 years	1,994	76	3.8	1,033	23	2.2	961	54	5.6
22 to 24 years	814	141	17.3	485	73	15.1	329	67	20.4
25 to 34 years	525	226	43.0	305	149	48.9	217	76	35.0
TWO-YEAR COLLEGES									
Total	2,407	572	23.7	1,106	251	22.7	1,301	321	24.7
14 to 19 years	933	13	1.4	409	1	0.2	525	11	2.1
20 and 21 years	403	51	12.7	216	17	7.8	187	35	18.5
22 to 24 years	407	132	32.5	193	62	32.1	215	70	32.8
25 to 34 years	664	376	56.6	288	170	59.0	375	205	54.7
Attending Full Time									
Total	1,341	151	11.2	661	93	14.1	680	58	8.5
14 to 19 years	749	5	0.7	323	1	0.3	425	5	1.2
20 and 21 years	251	19	7.5	146	10	6.6	105	9	8.8
22 to 24 years	15	38	24.0	89	23	26.1	67	14	(B)
25 to 34 years	185	89	48.1	102	59	57.8	81	29	35.8
FOUR-YEAR COLLEGES									
Total	5,607	681	12.2	2,871	360	12.5	2,737	321	11.7
14 to 19 years	2,061	14	0.7	993	7	0.7	1,067	7	0.7
20 and 21 years	1,861	76	4.1	926	20	2.2	935	56	6.0
22 to 24 years	871	163	18.8	515	81	15.7	356	83	23.2
25 to 34 years	814	428	52.6	436	252	57.8	379	176	46.4
Attending Full Time									
Total	4,673	289	6.2	2,412	147	6.1	2,262	141	6.3
14 to 19 years	2,000	11	0.6	964	5	0.5	1,035	5	0.5
20 and 21 years	1,707	55	3.2	864	13	1.5	843	43	5.1
22 to 24 years	646	98	15.2	393	48	12.3	253	50	19.7
25 to 34 years	321	125	38.9	190	81	42.6	131	43	32.8

Age, full-time attendance, and type of college	Both sexes			Male			Female		
	Total enrolled	Married, spouse present		Total enrolled	Married, wife present		Total enrolled	Married, husband present	
		Number	Percent		Number	Percent		Number	Percent
FIRST AND SECOND YEAR OF 4-YEAR COLLEGES									
Total	2,734	221	8.1	1,349	97	7.2	1,385	124	9.0
14 to 19 years	1,946	13	0.7	942	6	0.6	1,004	7	0.7
20 and 21 years	369	30	8.1	213	14	6.5	156	16	10.4
22 to 24 years	185	52	28.0	101	22	21.6	84	30	35.6
25 to 34 years	233	126	54.1	93	55	59.1	140	71	50.7
Attending Full Time									
Total	2,357	74	3.1	1,187	36	3.0	1,170	38	3.3
14 to 19 years	1,889	10	0.5	913	5	0.5	975	5	0.5
20 and 21 years	293	19	6.5	174	8	4.7	119	11	9.0
22 to 24 years	106	24	22.7	66	12	(B)	40	12	(B)
25 to 34 years	70	21	(B)	34	11	(B)	36	10	(B)
TYPE OF COLLEGE NOT REPORTED									
Total	273	41	15.1	129	19	15.1	145	22	15.0

COMPARISON OF LOANS TO ENROLLMENT

Secretary BELL. Without too much comment on this, you can see how the percentages of loans and Pell grants have outgrown the enrollments in higher education. I would like to emphasize, Mr. Chairman, that I am not presenting these charts in a complaining way—by that I mean trying to say, isn't this situation too bad? I'm proud of the record that has been attained and that this committee has supported and is providing this kind of support for students in higher education.

I thought a little historical perspective here would be helpful in this regard.

Senator SCHMITT. Mr. Secretary, does the growth curve of numbers of students served coincide with the curve for guaranteed student loans or between the curve of the Pell grants and guaranteed students loans or above it?

Secretary BELL. Yes; I think that we can show that with our next chart here. This shows higher education enrollments, Pell grant recipients, and guaranteed student loan recipients. You can see that the guaranteed student loan recipients jumped 172 percent, Pell grant recipients increased 39 percent over that period, and enrollments increased by 8 percent. We think that that is an interesting and informative chart.

COMPARISON OF AWARDS TO PARENTAL CONTRIBUTION

Our next chart, No. 4, just tries to portray in a colored bar graph the average awards for Pell grants and for guaranteed student loans compared to average parental contributions. We feel that in funding the cost of higher education, the Government and the parents and the students and those in the private sector who contribute to scholarships all need to participate. We do see a decline in the parental contribution. Not a big one, but it is a 6-percent decline in the face of inflation and many other pressures that I am sure are on parents.

Senator SCHMITT. How significant is the anomaly that occurred after Reconciliation in your guaranteed student loan bar?

Secretary BELL. How would you respond to that, Mr. Dingeldein?

Senator SCHMITT. You know what I'm referring to?

Secretary BELL. Yes.

Mr. DINGELDEIN. Yes; there is a reduction in the award because of the origination fee.

Senator SCHMITT. There was a period of about 6 weeks, I believe, in which the old program was still in effect and you had a rapid increase in numbers of applicants under the old program.

CHANGE IN STUDENT LOAN LAW

Secretary BELL. Yes; especially in the student loan program. We were faced a little bit with the situation—I think it's a fair analogy—similar to one in which you were announcing that the bank was about to close its window. So you wanted to come and get your money out, as we were talking about changes in the loan program. I think our proposed changes did generate more people hurrying to get their loans before the changes were to take place.

Senator SCHMITT. Can you at this time give us the proportion?

Mr. DINGELDEIN. Well, what happened, though, is that even though there was a large number of students that took out loans in the last quarter, when you look at the quarter following, it held up very well with the previous year. So that even though there was an effort to take out loans at the last minute, there still is a continuing growth in that program. And so it hasn't had quite that effect that some people expected.

In other words, there was not a drop-off.

Senator SCHMITT. So your curve is like this [indicating], and in that 6-week period, it was something like that [indicating].

Secretary BELL. Yes; our final chart, Mr. Chairman, is a summary and goes on out to 1982 and 1983, where we have made some reductions in our efforts to try to contain the growth and the cost of these programs at the same time that we're also trying hard not to bend in our commitment to students. The green bar there shows the enrollment in millions of students, now at 12½ million.

Incidentally, I might say that some years ago, as we looked at a decline in the number of high school graduates, we anticipated that that green bar, those enrollment numbers would go down more dramatically. I think it's a good thing that it hasn't. I think it's a tribute to many things, including the fine student aid program that we have in this country, which I think is second to none in the world.

We need to be proud of it at the same time that we express our concern that we try to keep our costs down as much as we can and we try to encourage maximum parental and student participation for their education.

The red graph shows a 260-percent Education Department funding commitment. The next bar shows the actual dollars in student costs portrayed out here [indicating]. Then we tried to show graphically the 6-percent decline in parental contribution.

PROPOSED CHANGES IN LOAN PROGRAM

That is some of the background behind our concern about reining in a bit the growth in the student aid program. I'll just summarize quickly so it might facilitate our discussion that we propose changes in the loan program that would help to contain that cost. As you know, we have a loan origination fee of 5 percent. We propose to raise that to 10 percent. That would, in effect, reduce the maximum loan available to undergraduate students from $2,375 to $2,250. In all of the discussion about this, I think that many have the impression that the maximum loan available would be cut much more dramatically than that, that we'd be down about $125 below this year, and it would be down $250 below the previous year.

We'd also propose, if Congress approved our proposal, to require an analysis of need for all students. At the present time, we're requiring a need analysis for students themselves, if they're independent students or their parents, if they're not, who make over $30,000 a year.

We again would be able to adjust the loan to need if we required a need analysis of everyone. Our argument, Mr. Chairman, is that under the pressures that we have now, we ought not make loans to those who really don't need them. You could respond and say, well, why for those under $30,000? There are commuter students attending low-cost or no-tuition cost institutions that we think, if we went to need analysis, may qualify for a loan, but not $2,250. We'd like to make the loan available to the extent that it's needed, but under the budget pressures we have, we'd like to limit that if we could.

The third change we'd propose is to eliminate the special allowance to lenders 2 years after they're out of school. We think by that time they should be established and employed. We'd like to see them carry the burden of their loan at that point. The fourth one, which has been subject to a considerable amount of discussion and admitted controversy, is that we would require graduate students to borrow on the auxiliary loan at 14 percent rather than at 9 percent. In addition to that, they would need to start paying at least the interest within 60 days after they receive the loan.

This was done as another effort to contain the growth in that program and to fit into the total budget amount we have been working with. I'd emphasize again that we had to come up with a supplemental of $978 million to handle the program. So we've been desirous of trying to tuck in the costs a bit. We would emphasize that we don't want to decimate the program. We don't want to deny students access to higher education. But with the fiscal pressures that we have and the pressures that I have as the Secretary in trying to see a balance in this program and in other very worthwhile programs, like education for the handicapped and our chapter 1 program for the disadvantaged, we would not like to see an imbalance here with an entitlement program that gets out of hand where it's costing us much more than we expected in the first place.

PROGRAM CONSOLIDATIONS

Just a couple more comments and then I will be through, Mr. Chairman. We are proposing some program consolidations in legislation, some that are now before the Congress and some that are pending OMB clearance. We have a consolidation of vocational and adult education programs into a block grant package we would just mention to you as legislation now pending before the Hill. A bill almost identical to our bill, with only slight differences, has been introduced by Senator Hatch.

We are also proposing a special education consolidation that we will soon have before you. I might point out that we have reduced the special education budget by a lesser amount than the others, knowing of the pressure that is on the funding of handicapped students. I realized that with the pressures we had in our budget, we were still struggling to strike a good balance there.

We have a proposal to amend the Rehabilitation Act to improve the basic State grant program and to consolidate certain categorical programs that will be before the Congress quite soon.

CHAPTER 1

We are proposing a reduction in chapter 1 programs, the old title I of ESEA, down to $1.9 billion. We know that there are a number of successful programs that have received good evaluations and cost as little as $400 a student. If the funding per student came to that level, we could serve approximately the same number of students we're now serving at the $1.9 billion level.

There's nothing magic about that. I can't tell this committee all the school districts will move in that direction if this committee approves the reductions we're proposing. But we do believe that under the enormous pressure we have on the budget, school districts should examine these kinds of exemplary low-cost projects very carefully to see whether they can adapt those approaches to meet local needs.

BILINGUAL EDUCATION

Some other program areas—we're proposing a $94½ million budget for bilingual education to serve limited English proficient students. We also have some legislation pending that would make it possible to spend funds for programs using other than the bilingual method of teaching limited English proficient students. At the present time, the statute doesn't permit that. We don't think we ought to be prescribing teaching methodology either in our regulations or by statute.

We propose elimination of the library programs. The matching there, after over 25 years of expenditure, is about 20 to 1. I'd say we don't consider libraries to be a low priority by any means, but we're putting up about only 5 percent of the budget of libraries. As we're looking for areas where we might contain our costs and come in under the budget level we've talked about, we felt that this is an area where we could make some reductions.

That, Mr. Chairman, is a quick summary of our budget proposals. I know that my staff members have been before the committee discussing specifics. I appreciate this opportunity to make these summary comments. We'll be pleased to respond to questions.

Senator SCHMITT. Thank you, Mr. Secretary. I'm going to yield to Senator Weicker. He has another engagement. He has one area that he apparently would like to discuss with you.

VOCATIONAL REHABILITATION

Senator WEICKER. Thank you very much, Mr. Chairman. Mr. Secretary, for the first half of fiscal 1982, the States have been receiving funding based on the continuing resolution level of $863 million for vocational rehabilitation basic State grants. Your proposed rescission would force a cutback of $91 million bringing the total down to $771 million in the last 6 months of the fiscal year. That would force agencies to lay off workers and interrupt their vital services to the handicapped.

With the accumulation of the impact of deferrals, the limitation on the distribution of grant awards and the uncertainty of the dollar amount, can you give us assurances that the States will not be required to cancel vocational training and other rehabilitation services currently in progress, and what is your estimate as to how many severely and nonseverely handicapped individuals would be adversely affected?

Secretary BELL. After I comment, I'd ask Sally to talk about the specific number of people. I think she would have that detailed information.

I'd just indicate I know from my own experience, Senator Weicker, the rehabilitation program has been a good one. It's done a good job in serving clients in that area. Knowing the budget pressures we were under, we wanted to see if we could persuade Congress to consider these rescission numbers that were the President's original budget number.

Now Sally, if you wouldn't mind responding to the specific numbers that the Senator wanted.

Ms. CHRISTENSEN. Yes, Senator Weicker. The total number that would be served in 1983 would be 900,000. This is a reduction of about 350,000 from the revised 1982 level. But I would stress that within that amount, the majority of those, or about 300,000, are the nonseverely disabled. I would also stress that there are about 30,000 State educational agency personnel who are working within the service network within the States. We would expect that the States, in addition to utilizing their services, would start to reorder some of their priorities in order to offset some of these decreases.

But the important thing is that we are primarily hitting the nonseverely disabled as far as the impact of the proposed cuts.

Senator WEICKER. Well, there might be a difference between the community of disabled. Really, I think it should measure all of us and the disabled, period—that is, the severely disabled, somewhat disabled, little disabled. All of that is a great burden on each one of them.

I gather your response, then, to me is that you cannot give me the assurance that the States won't be required to cancel vocational training and other rehabilitation services currently in progress.

Ms. CHRISTENSEN. We're not saying that there would not be some cutbacks in some areas and in some programs. There, again, it would depend on the individual States and what kinds of priorities they would set for this program with regard to other programs.

Senator WEICKER. And the figure that you estimate would be some 350,000 that would be affected, and out of the 350,000, you say that 50,000 would be in the severely handicapped area?

Ms. CHRISTENSEN. That's right. Now I would also add——

Senator WEICKER. Well, what do we do about those 50,000 is what I don't understand.

Ms. CHRISTENSEN. What we're saying is that that's a small percentage and that we would expect that the States and the counties would reorder their priorities, would look at their resources from other areas of Government, as well as private sources and make up that difference that way.

Senator WEICKER. And if they don't?

BUDGET REDUCTIONS NOT PAINLESS

Secretary BELL. I think we need to be careful that we don't, before this committee, imply that all of our budget reductions are going to be easy and painless. I know better than that, Senator. I don't want to allege that before the committee.

My own experience is that budget reductions can often have some positive benefit in that you do some weeding out. I have found it in the Department of Education, where we have 1,300 less employees now than we had a year ago last January, when we started. I don't want to imply by that comment that there wouldn't be some reduction in services to clients who need this service. But I think some of the slack could be picked up by some efficiencies in administrative procedures and other things. That often happens when you have to cut back and take some measures in a time of austerity like we have now.

Ms. CHRISTENSEN. In fact, the proposed legislation which we will be submitting fairly shortly to the Hill will stress administrative simplification and more flexibility on the parts of States.

Senator WEICKER. Well, let me make a couple of comments and then I'll turn the hearing back to the chairman. First of all, a numbers game in this area I think really proves nothing. You say that next year 50,000 severely handicapped people will not be served. Listen, in this country, if there's one severely handicapped person out there, we ought to do whatever we can to relieve them of the burden that's been thrust upon them.

Now concerning the weeding out process, most of these people, by nature or by circumstance, have already been weeded out and given a great burden to carry. I don't see where a "survival of the fittest" philosophy really ought to apply to them. I really don't think it should. I'm sure that some of the nice-to-have items will be taken away from us, and that doesn't bother me too much. But cuts in the handicapped program does bother me because there's very little that these disabled people can go ahead and do.

What will happen to the disabled people if the services are not provided by the States? What happens then?

The fact is that in many instances of special education, if the services are delayed or the recipients are prevented from acquiring services until either the States act, economic times get better, or the Federal Government gets back into the game—permanent damage will have been done to them.

I argued last year in favor of the early intervention program for retarded childen. A year lost is a lifetime lost.

So I think that there are special circumstances, as far as I'm concerned, whether it's vocational rehabilitation or special education, that says, these programs above all programs deserve our maximum effort. And I don't think that you can include them in the pot and balance it out between the disabled and those of us who are hale and hardy.

Ms. CHRISTENSEN. Senator Weicker, we have been very concerned about that issue and as we develop the proposed legislation, we're trying to address it. In fact, one of the items that's pending before OMB is that States would be required, if they do not have enough money to serve everyone, to serve the severely disabled first.

So we are concerned over the same things you are addressing.

LOWER PERCENTAGE DECREASES

Secretary **Bell**. We would just indicate before the Senator leaves that our concern for special education and for rehabilitation is reflected in the lower percentage decreases of the various budget categories.

Senator **Weicker**. I don't want to play the game in your ball park. That sounds great as far as you are concerned, but I think that all of these areas should have been increased. Now, as I say, it sounds good when you say, we did less to them or they received priority treatment. That's fine, within the structure that you have placed out there. But to my way of thinking, we were just as a Nation getting started to assure that the right thing was being done by these people.

So I can't accept that. But, anyway, that goes beyond what my initial question was. Mr. Chairman, thank you very much for your courtesy.

STUDENT FINANCIAL AID

Senator **Schmitt**. Thank you, Senator. Mr. Secretary, before we get into specific questions about details of the program, could we deal with a couple of major issues. One, of course, is student financial aid.

Has the Department examined trends in hours of student employment relative to hours of academic and other activities by the students?

Secretary **Bell**. I think Dr. Elmendorf might have—I don't have specific information on that. I don't know if you do or not, Ed.

Senator **Schmitt**. You have parental contribution, but what about student contribution? Do we have any data on that, to their own education?

Dr. **Elmendorf**. Yes, sir. I think that we have submitted an OSFA student aid program book. There is some detailed information in there about this and we will send a copy to the committee.

Senator **Schmitt**. You have submitted that data to us?

Mr. **Dingeldein**. Mr. Chairman, I would just add to what Dr. Elmendorf said. We do know, as of a couple of years ago, that there is still about 30 percent of the students who neither work, nor borrow, to meet college costs. This was one of the concerns with regard to the whole notion of self-help, where we think that more could be expected of the student.

Senator **Schmitt**. Again, have you submitted to us some data on this subject?

Mr. **Dingeldein**. We have some historical data that, if you don't have a copy of it, we'll resubmit it. It's a program book that is available. We customarily send it to all of the committees of the Congress.

Senator **Schmitt**. We'll try to search that out. Do you have any general feeling of what the average student contribution may be to their education now?

Mr. **Dingeldein**. I would rather not comment on that at this time.

INTRODUCTION OF ASSOCIATE

Secretary BELL. I might just say, if you're through with that, Mr. Chairman, that Dr. Gary Jones has now arrived. He had to go to the White House. I'd like to introduce him.

Senator SCHMITT. I'm glad to see you survived. [Laughter.]

Secretary BELL. Gary is the Deputy Under Secretary for Planning and Budget. I want to welcome him to the table. He's a very fine colleague. We're proud to work with him.

STUDENT FINANCIAL AID

Senator SCHMITT. Welcome. Mr. Secretary, the reason I asked the question is to begin to explore with you the potential of some of the student financial aid programs being geared to a direct match to the student and/or parental contribution to education. I am not saying that there should be a reduction one way or the other in the actual Federal assistance, but that we can see if there isn't some way to leverage additional aid for the students, for all students who are in need through some kind of a matching program, an individual matching program.

Has this been examined by the Department?

Secretary BELL. We have talked about that, but we haven't studied it in depth. I think it's an item that we ought to be looking to. I think we could get more leverage on our dollars that way. As the chairman might recall, we had a Commission on Student Financial Aid created by the Congress. The membership of that Commission has just been reconstituted. We may be able to ask them to examine that possibility in considerable depth.

I think it ought to be explored more fully.

Senator SCHMITT. I sense that the attitude toward working to contribute toward education may have eroded a little bit since you and I were in college.

Secretary BELL. Yes.

Senator SCHMITT. Possibly as a result of, at least for a considerable time, the increased availability of assistance, financial assistance. I only give as an illustration some students that I talked to recently that thought that working 60 hours a week combined, academic and employment, was a very high number. It did not seem like a high number back in 1953 when I was in school.

Secretary BELL. Right.

Senator SCHMITT. And I don't know what your experience was, but many students, if not most, had extra-curricular employment that probably raised their number of weekly hours closer to 80 rather than 60. I'm just wondering whether we couldn't get the best of both worlds with the student financial aid by at least having part of it leverage additional employment, if those employment opportunities do exist.

Secretary BELL. We also need to be careful that we don't provide a disincentive to make a maximum effort because of our aid programs. I think that this has a lot of potential for study.

LOAN DEFAULT AND CREDIT RATING

Senator SCHMITT. Mr. Secretary, I think somewhere I heard a rumor or a proposal that in order to reduce the level of loan default in the GSL program, that after some period of time of default, the fact of that would be entered in some way into a credit rating. Is that under consideration?

Secretary BELL. We've been examining every possibility to cut down the default rate in the loan program. We've taken some actions on that. If I may, I'd like to ask Dr. Elmendorf to comment on that and other matters related to it, if you would, please.

Senator SCHMITT. Certainly.

Dr. ELMENDORF. Senator, we have been meeting with credit bureaus and representatives of credit bureaus on that very subject. There are some problem areas still remaining, but the discussions are ongoing. Our feeling is that we will continue in that area and will attempt to get as much data as we can available to us for future discussions and decisions in that area. It is an important area and one that we're very concerned about.

Senator SCHMITT. Why wouldn't a default on a guaranteed student loan be currently included in a credit rating?

Secretary BELL. Well, I think it should be. I suspect it is, is it not?

Senator SCHMITT. I'm not sure that it is. I don't think that the Government makes any report, do they, to credit-rating agencies on defaults of this kind?

Mr. DINGELDEIN. We have the authority to report to credit bureaus under the guaranteed student loan program. I'm not sure where we are in terms of implementing it. Dr. Elmendorf stressed that. But I would point out that the problem of default under the guaranteed student loan program is not a serious problem if you measure it in terms of the net default rate. In other words, after you take into account the payments, the default rate is about 6 percent on a net basis.

So while we have some concerns in our direct loan program, the guaranteed student loan program has a relatively low default rate. We have been doing a lot to reduce that.

DIRECT LOAN DEFAULT RATE

Senator SCHMITT. What is your default rate in the direct loan program?

Mr. DINGELDEIN. It's about 16 percent.

Secretary BELL. In that regard, we have proposed new regulations that would disqualify institutions if their default rate reached a certain level. At another level, they would be cut back to a certain extent.

I might just comment, Mr. Chairman, that there is not much incentive in wanting to pay off a loan that is costing you 7 percent if you have other loans on an automobile and other things that are costing you 18 or 20 percent. This is one of the problems that we're up against.

Senator SCHMITT. Well, there's an incentive if your credit rating is such that you have trouble getting additional credit.

Secretary BELL. That's correct. That's why we ought to be pushing in that direction.

Senator SCHMITT. I'm aware of one example, as I mentioned yesterday to Secretary Schweiker, of a candidate for Congress in his financial net worth statement, including a guaranteed—a student loan, I won't say it's guaranteed—as in default, as old, with a net worth of over a quarter of a million dollars.

Secretary BELL. Yes.

Senator SCHMITT. Then somebody asked me if it was included as an asset or a liability, and I can't tell you. [Laughter.]

Secretary BELL. Some of the direct loans are only 3 percent. It's like if you have one of these old house mortgages at around 5 or 5½ percent. You don't want to pay that off too early.

Senator SCHMITT. Yes; but most people tend to at least pay the interest on the loan.

Secretary BELL. Well, because of the threat of the loss of their home if they don't.

Senator SCHMITT. Senator Abdnor.

Senator ABDNOR. Thank you, Mr. Chairman. Mr. Secretary, I haven't seen you for quite a while. I'm sure you've been keeping yourself busy.

Secretary BELL. As the Senator has.

IMPACT AID

Senator ABDNOR. I have a question on one issue for Mr. Jones. Specifically, I have a very great concern about impact aid. It's a very serious problem, the President's budget being the way it is.

Earlier in the year—exactly, for the record, March 8—Mr. Jones, to quote you for the record, you said that the first preliminary amounts earmarked for the 1983 budget that we received were considerably higher than the ones that we eventually had later on. I've been trying to find out what figures did OMB recommend for impact aid in 1982. Can anyone tell me that?

Mr. JONES. Senator, we are standing on our budget submission of $287 million.

Senator ABDNOR. That's what it is now. In your first statement, you said that it was considerably higher. The reason I ask you that, I had a personal conversation with David Stockman—I think I can tell you—on December 29 or the 30. It was a major concern of mine then. He told me I had nothing to worry about. "Outside of the defense end of it, it's going to be in great shape."

I went back and told all my people that, that I had this from the man himself. What happened?

Secretary BELL. I'd just interrupt to say, Senator, that if the Director knows of resources to increase the impact aid program, I'm not aware of that. We did the best we could with the budget we had. We looked at all these other trade offs. I know with respect particularly to the "A" students, that these cuts are going to be difficult. I know of some school districts in the Senator's State where these are going to be difficult.

But we felt that the size of the impact aid budget was as large as we could make it under the circumstances.

Senator ABDNOR. Well, you know, you can tell the locals to go back and make up the difference, that they've got to accept more of the budget, but my State is putting more and more into State aid—we have a Governor who is sworn to it. And they're broke. Maybe some States are fortunate to have oil and coal. But unfortunately, we don't have that, except a depressed agriculture throughout the State. Most of our revenues come from local taxes.

DIFFERENT IMPACT ON SCHOOL DISTRICTS

I'm sure you've heard the story out of the air base in Utah where a lot of the common school districts are sending kids to the air base a few years ago. I don't know how these people are supposed to make it. I've got one—some of the fellows are getting tired of hearing this story, but I haven't told it to you yet, so I'm going to. I mean I have one school district alone that only 13 percent of the land in the whole county is taxable because we've got a Federal law that says that Federal land shouldn't be taxed. People are taxed to the limit. I don't know how much more you can take out of them.

Last year we made a substantial cut. I guess it was 20 percent. And this year we're taking another cut. So it amounts to about a 30-percent cut in 2 years. I just don't know where you think we're going to find the money, when we're already covering somebody else's responsibility. You know, you could put them on the tax roll or something and we might go that route. But when you keep taking more and more land off, out of the tax roll—the kids aren't dropping. We want to educate them. A few ranchers out there are trying to keep things alive, are trying to keep themselves alive, let alone trying to keep the schools alive. I'm just wondering what the answer is.

I know, we make other cuts. I'm on the Appropriations Committee. I know what you're up against. I know what we're trying to do. But in many instances, much as they don't like to accept the responsibility, the local government and State government can manage. But I don't know how they're going to manage with this. They don't have the resources to take care of it. I'm just wondering what is the answer for us?

The Douglas School District applied for DOD section 6 funds, and they probably won't be able to remain open beyond this year. I went through this one other time when they closed the school down. I went home and tried to face those people. They've got contracts to sign. They've already been cut from last year. When the doors close, I'm not going to go home and face them. They'll run me out of town.

What do we do?

Secretary BELL. As we look nationwide at impact aid, we see many school districts where impact aid is maybe 10 or 12 or 8 percent of the budget, and when we calculate what a certain percentage reduction of impact aid will do to them, it's do-able. It's where there is a heavy concentration of federally-connected children and impact aid is an enormous part of the budget that it is a problem.

Maybe we need some statutory revision for these situations. I know of some situations in your State where it's an enormous part of the budget. As we administer the laws as they're written, it cuts the aid proportionate to the number of students. If the number of students is 80 or 90 percent of the students in the district, they take an enormous cut. I acknowledge that.

Senator ABDNOR. I guess I'll have to relinquish my time here. I'll get another chance.

Senator SCHMITT. You'll get another chance.

Senator ABDNOR. Thank you.

Senator SCHMITT. Senator Burdick?

FIXED FARM ASSETS

Senator BURDICK. Thank you, Mr. Chairman. Mr. Secretary, I've been receiving large amounts of mail in my office regarding the proposed changes in the student financial aid program. My constituents are very concerned about the availability of financial assistance.

There is particular concern about the requirements of the guaranteed student loan program. From questioning Department officials last month, I got the impression that the new proposal would exclude fixed farm assets from any needs analysis for student loans. Is this impression correct?

Secretary BELL. We have adjusted the farm assets, I know in our need analysis. I don't know the technical detail of that. Maybe Mr. Dingeldein or Dr. Elmendorf could respond to it.

Mr. DINGELDEIN. Well, Senator, I'd like to clarify. You asked about guaranteed student loans and not Pell grants. I know last year you asked about the Pell grant program and, as you probably know, we have changed the asset treatment there so that it's much more favorable to farm families.

In the case of the guaranteed student loan program, those regulations have not yet been sent to the Congress. We expect some action within the next week or so. At this point, I just can't tell you what the treatment would be on the assets.

Senator BURDICK. I'm afraid that if you count assets, it would be unrealistic as far as the support for those youngsters in school. Why should there be a difference between Pell grants and guaranteed student loans?

NEEDS ANALYSIS

Dr. ELMENDORF. Senator, if I might address that question. On the needs analysis that was worked out—I think we're talking about a coalition of staff members from the Senate and the House with members of the community lenders last year—if you remember, we quickly put together a needs analysis test in 15 days that did not treat assets. It was commonly agreed to. It was called table F and allowed for a quick assessment of contribution for determining need under the needs analysis and the GSL. We are proposing this year a regulation that would not significantly change that because it really hasn't had a chance to be in effect for more than the loan volume that's occurred since October 1 of this year.

One change that we would consider in the regulation is to reduce the maximum amount available. It has $100,000 and we would propose to reduce that to $75,000. And those who would wish to get aid who come from families above $75,000 would use the uniform methodology. Now that methodology is commonly accepted by the student aid community and does, in fact, treat assets for farming.

So the answer to the question is both "yes" and "no." For those under $75,000, they would probably use a short form, unless, of course, they were receiving some other kind of aid. And then they would have to use the needs assessment for that other aid, which probably would count farm assets.

So in most cases, I think you'll probably find where other aid is involved, that assets would be treated because they're treated as a part of the uniform methodology.

Senator BURDICK. By assets, you're not including real estate, are you?

Dr. ELMENDORF. I believe they are considered an asset.

Senator BURDICK. Well, even a pretty small farm in the western part of the country comes in with a value of $75,000. And if that were true, there are very few farming students that could get any aid—correct?

Dr. ELMENDORF. I think we made an attempt, particularly in the Pell grant program, to separate out the home part of the farm asset from the business and other assets, allowing allowances for each, up to a maximum, which, by the way, under our proposed legislation has increased over $100,000 as an allowance. So we tried to treat that, I think, in a way that might meet some of the concerns that you have.

Senator BURDICK. Well, I would certainly hope that you would deduct the mortgage in determining the value of that asset. Is that true?

Dr. ELMENDORF. All those factors are taken into consideration.

Senator BURDICK. That all liens and the mortgage would be deducted before you got the value of the asset—correct?

Secretary BELL. All liabilities would be deducted. That's the nature of it.

STATE GUARANTEE PROGRAMS

Senator BURDICK. That's liens and mortgages. When I questioned some of the Department officials about the State guarantee programs, when they appeared before this committee last month, I was assured that all but three States have agreed to have the program in their States. On further investigation, however, I have learned that the fact that a State agreed to be a guarantee agency does not mean that loans are readily available to students. In North Dakota, for instance, the North Dakota State loan program will guarantee the loan, but at the same time, the Bank of North Dakota has not planned to buy them from the banks as they do the guaranteed student loans. Without this, it is unlikely that many banks in North Dakota will participate in the program.

From what I understand, the banks and the student aid communities feel that this will be the case pretty much throughout the country.

I understand my time is up.

Senator SCHMITT. Go ahead, we're very flexible, just so long as you're aware of it.

Senator BURDICK. I am aware of it.

Secretary BELL. I am glad that that question was asked, Senator, because it's been a subject of considerable debate about our proposals on the loan program. We are encouraged by the response of the States to participate in the auxiliary loan program, what before was called the parent loan program. Your State is listed as committed to participate.

I don't understand why banks wouldn't want to participate. We will subsidize the interest on a formula basis between 14 percent and the going rate tied to Treasury bills. But if the banks do refuse to participate, we have commitments from two major national organizations that would make loans. They are the united student aid fund and the higher education assistance foundation.

So we're still confident. We've examined that at considerable length. We're still confident, Senator Burdick, that the loan capital is going to be available to graduate students. Now I acknowledge that graduate students will be paying the 14-percent interest rate. But I still think that it's a good situation for them. It will save us some money and help us to solve our budget problem. We hope that the Congress and this committee will support us in our proposals on this loan program. We need that support.

Senator BURDICK. I presume that 14 percent figure in the next succeeding year will be another 14 percent, another 14 percent the third year, another 14 percent in the fourth year.

Secretary BELL. We don't think that that will happen, Senator. We think it's likely to go down to 12 percent because of the decline in interest rates. So we think it's going to be good news rather than bad news. We think it's going to go in the other direction.

Senator BURDICK. Well, what about the 12, 12, 12, 12 percent?

Secretary BELL. Well, it's still a good situation for the student. We think it is. It provides a loan, we provide the guarantee and we subsidize the interest. As we faced this and as we tried to bring our budget within the numbers, we certainly didn't want to encroach upon the undergraduate students' loan availability.

Senator BURDICK. I think my time is up. I have some other questions. I'll submit them.

Secretary BELL. Very good.

Senator SCHMITT. Yes.

Senator BURDICK. Thank you.

TUITION TAX CREDIT

Senator SCHMITT. Thank you, Senator. Mr. Secretary, the President today is announcing his endorsement of his tuition tax credit proposal for private education assistance. A recurring theme in your budget justification document is that budget cuts in education are necessary for part of the President's overall effort to reduce Government spending and thereby control one source of inflationary pressure. Many popular programs, such as title I, compensatory education for the disadvantaged, education for the handicapped, Pell grants, et cetera, are slated for sizable reductions.

Today, we are seeing, with the announcement of the tuition tax credit proposal, a tendency in the other direction. I'm not one that likes the expression sometimes used of "tax expenditures," but nevertheless, when you look at deficits, the proposal will have a tendency to increase Federal outlays—or decrease Federal revenue.

Do you have an estimate of the revenue lost to the Treasury for this proposal in fiscal year 1983 and 1984?

Secretary BELL. Dr. Jones has that. But before I turn the microphone to him, I would like to comment about the President's proposal.

This proposal will be effective next year, if the legislation is passed in a timely manner. The proposal starts at a very modest level. So the expenditures are really going to be quite negligible. And maybe Dr. Jones could talk to more specifics on that, if you would, please.

Mr. JONES. Senator, we are looking for the fiscal year 1983 impact to be very negligible, approximately $100 million. We're looking for the impact on 1984 to be minimal, about $600 million. The 1985 figure is $1 billion. The 1986 figure that we're projecting is $1.4 billion. The 1987 figure is $1.5 billion.

This is based on current loans and based on a $100 tax credit available the first year. Then $300. Then $500. It's based on the income cap of $50,000 AGI, with a 10-year reduction being applied to families with an AGI of between $50,000 and $75,000.

The credit would not be able to exceed 50 percent of the tuition.

Senator SCHMITT. Well, at a time when Congress is discussing the merits of the increase in taxes to help reduce the deficit and you are proposing decreasing direct Federal aid to education, Mr. Secretary, do you believe that this proposal impacts on economic recovery?

Secretary BELL. Well, I would just say that the program is a tax break that should benefit education. Our private schools are important. They do a lot of public good, just like our public schools do. So those of us who are concerned about and enthused about education ought to view it in that manner.

I'd also point out that we have, with this large student aid program, a considerable amount of financial assistance to help students who elect to go to private colleges and universities versus public ones. This just gives the opportunity for a choice.

I'd emphasize again for the fiscal year that we're talking about, the impact will be negligible. We think that our economic recovery program will be well along in the following years where the program won't loom as large.

I'd emphasize that it provides some diversity in choice on the elementary and secondary level like we have on the higher education level at the present time. It's a very modest program. I would also emphasize that there is an income cap level up to which students can participate. Now some of the common conversation around about the tuition tax credit program is that it aids the wealthy. It might be interesting to note, and we've studied this at length, that the average family income for parents who elect to send their children to private schools is $25,000.

If I could just add this to my response, Mr. Chairman. I come from the public schools. I have worked all my life in the public school area. I am personally an enthusiast about the public schools. I choose to send my children to public schools. I could send them to private schools if I wanted to. I have a child here in this area who's in a very fine public school and I, for one, don't feel that there is going to be harm to the public schools in this program, like some of my colleagues in public education tell me there will be.

MAXIMUM CREDIT

I don't think that the financial incentive to choose the private schools is going to be very large at all. It costs well in excess of $2,000 these days to educate an elementary-secondary level student. The maximum credit is phased in over 3 years. The first year, it's only $100. But the maximum credit would only be 25 percent of that total cost when you get to the maximum.

Senator SCHMITT. Well, Mr. Secretary, a few years ago I made all those same analyses and same arguments and convinced myself that you were right, that it would be a net benefit to education without any documented adverse impacts to have a tuition tax credit comparable to the proposal that you have made, and I even cosponsored the original legislation 3 or 4 years ago.

But being prone to scientific analysis, I continued my research, and one big fly appeared in the ointment. I have become convinced by some very, very competent legal research that the proposal won't survive a constitutional test.

Secretary BELL. We think it will, Mr. Chairman. We have had some very able legal minds examine this.

Senator SCHMITT. Well, there are a lot of able legal minds, maybe more than we need around. [Laughter.]

EDUCATIONAL EXPENSE CREDIT

Certainly, the issue is not clear, to say the least. Did you consider in this proposal modifying it so that it's an educational expense credit? You know, I'm for giving the people all of the fruits of their labor I can. I don't believe that they belong to the Government. I think that they belong to the people, and it's up to them to decide how much they want to give to the Government.

So I'm willing to give back as much as I can so that they can make that decision. Was it considered to go with an educational expense program without distinguishing private or public school? That would survive a constitutional test, I'm convinced.

Secretary BELL. We, of course, weighed all the alternatives, including that approach. We just felt that the alternative that we had was the best one and the one that would have the best possibility of being enacted in the Congress.

Senator SCHMITT. Oh, I think you would find the probability of enactment would be greater if you did not distinguish between public and private educational expenses.

Secretary BELL. The impact of that nationwide would be far reaching, and I think, quite controversial.

Senator SCHMITT. You mean budgetary impact?

Secretary BELL. Budgetary and otherwise. We were trying to take a look at those also that were, to some extent, carrying a double burden. Now I recognize the arguments that come from those who would oppose this that say, well, you don't have to send your children to private schools, Well, you don't have to send your youngster to Yale or Harvard or some other high tuition institution, either. But we provide that assistance. If there is that choice, then we believe in providing that choice philosophically on that level.

But there is a double burden without any assistance or compensation even for a small portion of it. I would emphasize that our proposal provides only for a small portion of what would be there.

Senator SCHMITT. Well, I'm sure that we're going to have some very interesting discussions as the days and weeks go by on this proposal.

Secretary BELL. If I could just say this, Mr. Chairman, before we leave this subject. Many who have talked to me about it try to make a direct connection between our budget and this proposal. I would just emphasize that as we write our tax laws, we do many things to try to bring about certain ends. We have had our energy provisions in the tax laws. We have incentives for people to invest in tax-free bonds that are used for certain public good. So it's private money investment for public good benefit.

I see this as just another piece in that tax policy. As we look at a total budget over $700 billion, on the revenue side of it, I haven't been able to make a direct connection down to the amount of money that we are talking about here.

Senator SCHMITT. Well, but it's going to be made.

Secretary BELL. I know that, yes.

SCIENCE AND TECHNOLOGY

Senator SCHMITT. We will have to discuss that as the time goes by. Mr. Secretary, have you been in discussion with the National Science Foundation, for example, with potentially other agencies which have a continuing and growing interest and concern about the shortfall, not only in students graduating from college in science and technology areas, but what one might call the shortfall in science and technology literacy within our general school population as it relates to the availability of science and math teachers, the general quality of student preparation, the number of students in college or in graduate school in these areas? And to what degree does your budget relate to that, if at all?

Secretary BELL. It doesn't relate to it directly in that we have direct appropriations for that purpose. But I have been in touch with the National Science Foundation. I have met a couple of times with Dr.

Slaughter. I am also invited to a dinner meeting with the National Science Board, and the subject is going to be this very important and critical topic.

We have also asked our National Commission on Excellence to examine this problem. They held a hearing at Stanford University where they received testimony on it. It's a very, very serious problem in this country. The number of students that are shying away from enrolling into these areas is a worry. The shortage of mathematics teachers in the public schools——

Senator SCHMITT. It ought to be considerably more than a worry—it's a crisis. It's a national crisis that is hidden from most of the public but is nevertheless developing that is going to restrict our ability to expand economically and to expand in terms of our national security.

Secretary BELL. It surely will.

Senator SCHMITT. The shortfall of graduate students today who are in science and technology fields, including medical science, is anywhere from 10,000 to 50,000 a year shortfall, depending on whose estimates you want to use. But it certainly is very high.

Secretary BELL. I agree with that. I also, in meetings with college presidents and governing boards and school boards, have been emphasizing that we've got to do more in the science, mathematics, and technology area than we have done in the past.

CUTBACKS IN STUDENT AID

Senator SCHMITT. But, Mr. Secretary, you are proposing major cutbacks in student financial assistance. Isn't this going to aggravate the situation rather than assist it?

Secretary BELL. We don't think so. We don't think that we're going to be removing from the campuses vast numbers of students who otherwise might be in these areas. We would say that an examination of our proposals just won't bear up allegations that there are going to be millions leaving the college campus. Our proposed adjustments in student aid are just not that large and that significant.

As we cut a student loan down from $2,375 to $2,250, as we reduce by a couple of hundred dollars the basic opportunity grant, and that, in essence, is where it is for undergraduate students, we don't think that that is going to remove enough assistance to cause this result.

Senator SCHMITT. Well, Mr. Secretary, I'm not saying that these numbers are correct—I've had other problems with this institution in their interpretation of budget numbers acted upon by this subcommittee, by the committee, and by the Congress—but the University of New Mexico estimates in the funds allotted to that school out of Pell grants as an example, that there will be almost—well, again, in 1980–81, they have said that funds available under the Pell grant, to students at the university under Pell grants, were $4.2 million.

In their estimate out of the projected fiscal 1983 budget, it would be $2.3 million. Now how do you reconcile those kinds of estimates? And I'm not saying that they're correct. But I would appreciate any thoughts that you may want to supply for the record on that. But if they are even close——

Secretary BELL. I can't reconcile them, Mr. Chairman, with the numbers that we're talking about and the availability of funds. It might be that Mr. Jones could put some more specifics to this. I just don't think that there is going to be that kind of a dramatic, almost half of the number, chop in institutions like the University of New Mexico.

Senator SCHMITT. The University of New Mexico has been prone to some exaggerations in this regard, as have most of the institutions that I have had some association with. But nevertheless, that doesn't sound like a few hundred dollars per grant.

PELL GRANT RECIPIENTS MOVING TO LOANS

Mr. JONES. What we're actually suggesting and encouraging, Mr. Chairman, is for people to take the total of the student financial aid and assistance program. We ask the colleges and universities to do this as well. But we have reduced the Pell grant program request for budget authority. But what we are suggesting is that some of the students who have been receiving Pell grants and may not receive Pell grants, will receive guaranteed student loans.

This is where the fallacy comes into play that kids can no longer go to school because Pell grants have been cut. We are providing $2,250, net dollars, in the guaranteed student loan program per our proposal. We are providing for the students who can demonstrate a need, up to $1,600 in the Pell grant proposal. They can get $700 if they demonstrate a need—that's an average award—for campus work/study.

So what we're suggesting is that we will still be providing gift assistance to 1.8 million students. But we're also suggesting that some of those students who have been receiving Pell grants as a gift assistance award will now have to be taking out a guaranteed student loan.

INDEPENDENT STUDENTS

And I might point out that we have a very high percentage of students, somewhere in the neighborhood of 40 to 45 percent, who qualify for the Pell grants by defining themselves, declaring themselves, as "independent students," meaning that they have a very wealthy family, but they say that they are independent of their parents. They are independent students. And therefore, they can qualify for Pell grants.

FEDERAL COMMITMENT TO STUDENT AID

We're trying to put to rest that problem as well. But the money is available. The money this fall will be the highest level of commitment by the Federal Government in this Nation's history.

Senator SCHMITT. Taking all programs——

Mr. JONES. Taking all programs and including the loan volume from the guaranteed student loan and the auxiliary loan programs. We have to do that when you figure the Federal commitment, because without the Federal guarantee, there may well not be those loans being lent by the private lenders.

Senator SCHMITT. So your answer to the University of New Mexico would be that if they, in their list, and we will provide that to you, of changes from 1980 to 1981 to 1983, that if they included the GSL program in that and those that would qualify for GSL's, that they would find that they had higher financial resources, the students did, than they did even in 1981—is that correct?

Mr. JONES. I'm not challenging the authenticity of their figures. I'm simply suggesting that we look beyond a one-program approach to student financial aid and determine that since these students have been given the Pell grants and the Pell grant money is being reduced, that they will no longer be able to attend school, because that is not true. We have the guaranteed student loan program that some students will be borrowing from—whereas before, perhaps they hadn't.

AUXILIARY LOAN PROGRAM

Secretary BELL. I might point out, Mr. Chairman, that after you take the Pell grant and the guaranteed loan program, and whatever campus-based aid is available, and it has been cut back, we need to keep in mind that a new loan program is now just getting in place. That's the auxiliary loan program. Parents can use that regardless of income level.

As we have it now, the wealthiest family in Albuquerque could pick up $3,000 in addition to that.

Senator SCHMITT. That's at market rate?

Secretary BELL. It's a 14-percent rate—it isn't the market rate. If the market is higher than that, which it is to get a loan these days, they get it at 14 percent and we subsidize the difference. We guarantee the repayment of it to the bank as an incentive to make it.

Senator SCHMITT. Can you keep that money from being reinvested at higher interest rates?

Secretary BELL. No.

Senator SCHMITT. Is that not a problem within some of these loan programs?

Secretary BELL. Well, we think that is going on. But there would still be that possibility that parents who want to support their student in school and don't have the up-front capital, here's a loan for them to do that and then they can pay for their youngster's education, for their part of the contribution to their youngster's education over time.

We're just saying that in all of this great debate that has gone on all over this country and in all the newspapers of this land, the administration's part of this story has not come across as well as the other part of it, because of the numerous voices out there. That's why I welcome the questioning on it. We don't think that we're doing as much damage to student aid as the common conversation would lead you to believe.

Senator SCHMITT. As the disciples to the great communicator, you've got a lot more work to do. And we'll try to help give you a chance to tell that story if, in fact, it can be told. But as we will supply you with the information that is currently being distributed very broadly by one university and its ex president, the story does not match the one that you have just told.

Secretary BELL. We believe that the facts are on our side.

Senator SCHMITT. Well, we will be interested to see your factual analysis in contrast to the one that I have been provided by the university. Senator Rudman?

[The information follows:]

STUDENT FINANCIAL ASSISTANCE AVAILABLE TO STUDENTS

In fiscal year 1981, from the combination of the Pell grants, supplementary grants, State student incentive grants, college work study, national direct student loans, and guaranteed student loans (including auxiliary loans), about $11.8 billion was made available to students in their pursuit of higher education. These are not just Federal appropriations, but rather the actual amount of financial assistance placed in the hands of students. Under the Department's proposals, an estimated $12.4 billion from the above sources will be made available to students during fiscal year 1982. In 1983, the Department estimates that the amount of assistance made available to students will increase to $12.6 billion. In light of these dollar figures, the picture presented by the University of New Mexico is questionable.

PELL GRANT ELIGIBILITY

Senator RUDMAN. You may have done this earlier and I'm sorry if I missed some of your opening statement, but could you tell me in rather specific terms what the precise eligibility will be under your new proposal for Pell grants?

Secretary BELL. I think that Dr. Elmendorf would do a better job of that than I would. I know it generally. He knows it very specifically, if he would respond. That's the precise eligibility requirements for Pell grants.

Dr. ELMENDORF. Yes, sir. Let me quote from a table we have on the distribution of the awards as they would be under the 1983 budget proposal, which proposed $1.4 billion to $1.8 million for specifics. The effect of the change in that is that about 75 percent of the recipients under our proposal in that program would come from families $12,000 or under, that up to $18,000 adjusted gross income would still qualify for Pell grant, and that 84 percent of the dollars, the $1.4 billion, would also go to that $12,000 and under category.

Right now, the distribution of under $12,000 is about 64 percent of the program. But a family of four earning $27,000 a year can still qualify to receive Pell grant dollars since 1981. So there would be, very clearly, protection for those students from low income families at the expense of those who now are eligible up to $27,000.

So from $18,000 to $27,000, there is an expectation that those former Pell grant recipients would need to borrow or use work study in order to make up the difference.

HIGH COST INSTITUTIONS

Senator RUDMAN. I believe I spoke to you about this following the hearing, and also to Mr. Jones. We discussed the possibility of students from poor families attending very high cost private institutions or high cost public institutions.

I think that after the hearing, in the discussion, we came to an agreement that under the total picture as being presented, be it good or bad, it's unlikely that very poor families will any longer be able to have their children go to high cost institutions. Would you agree with that?

Dr. ELMENDORF. No, sir, I would not agree with that. I think that one could surmise that from the growing difference between fast-track escalating tuition costs at most institutions and the ability to keep up in the low income, might I say that the program under Pell, the policy we developed could have been developed in a different way. It could have been developed to fund as many students as are now eligible. But the average grant would be approximately half. We're trying in this case to maximize the amount of funds that we have, under the present program guidelines, and still assure that the maximum dollars for the grant, the maximum $1,600, is assured to that lowest income student, so that along with the maximum Pell grant and now preserved access to the guaranteed student loan program, which costs us a billion dollars a year to preserve the subsidy on, the combination of the two does allow that student from a low-income family to reach beyond the low-cost institution to a moderate or even a high-priced institution.

Senator RUDMAN. Well, let's just examine that with your answer. As I understand it, if we adopt the current proposal, after adjusting for origination fees, the student would receive a maximum GSL loan of approximately $2,250. Under the Pell grant program, assuming that the student is eligible and, of course, this student would be, that would be $1,600. Those two figures together come up to $4,850. Let's assume, again, a maximum work study under the allocation that we are now looking at of $550. That would come to $5,300, not an insubstantial sum. I'm just trying to get this clearly out on the table.

That leaves a gap of somewhere between $4,000 and $6,000 for many of the very high cost, high quality institutions in this country, both public and private.

AUXILIARY LOAN PROGRAM

Secretary BELL. We could close that part way, Senator Rudman, with the $3,000 parent or auxiliary loan.

Senator RUDMAN. A what?

Secretary BELL. A $3,000 auxiliary loan or parent loan that they can also receive, if you're trying to get a hypothetical maximum amount of money for a hypothetical talented student who is very low income and needs maximum help.

Senator RUDMAN. How do those parents get that $3,000 loan? What would their eligibility be? We're talking about the poorest of the poor, in some cases.

Secretary BELL. Yes; the Federal Government would, as they do now in the guaranteed student loan, insure it and subsidize the interest between the 14 percent and whatever the going rate was.

Senator RUDMAN. Of course, many of these families are so very poor that I expect that they might be very hesistant to want to go and borrow that kind of money for a 4-year period.

But, at any rate, putting that aside for the moment, we end up with about $5.500 at the most, maybe $4,500, and we've got a big gap. Can't we, at least for purposes of this dialog, come to some agreement that maybe it's not bad social policy. Let's talk about it in the absolute. Is it not fair to say that under these programs, that very poor students will probably have less access to high cost institutions than they have presently? Is that a fair statement?

Secretary BELL. We don't think that it is.

Senator RUDMAN. Then where are they going to get the extra $6,000? That's what I want to know.

Secretary BELL. We don't think it's going to cost that much and we don't agree with the $4,500 that you came up with, respectfully, Senator.

Senator RUDMAN. You don't?

Secretary BELL. No.

Senator RUDMAN. In other words, you think that these students' parents will get the $3,000 and bring it up to $7,500.

Secretary BELL. Not only—and it's probably my fault for not describing this—it isn't only a parent loan—it's an auxiliary loan that the student can get. The student can get the first $2,250—he ought to know how he can get the $3,000 auxiliary loan in that regard. We haven't added in there yet, and we realize that we're not producing additional loan capital, but there is still loan capital on virtually every campus that's being recycled every year for the national direct student loan, and they could make up to a $1,500 loan there. And if it was a highly worthy student, they ought to, and they likely would, make it if it's a very talented young man or woman who wanted to go to a prestige institution, and we think that he or she ought to go there, not only for their own good, but for the good of society.

So at one time I calculated that it would be a maximum, and I want to say that it will be an exceptional case, but I calculated that you could exceed $9,000 under our program in student aid.

SUPPLEMENTAL EDUCATION OPPORTUNITY GRANTS

Senator RUDMAN. The supplemental educational opportunity grants, of course, used to help in that area for those students. It is being proposed at zero in fiscal year 1983.

Secretary BELL. That's right. We don't include that in our calculations.

Senator RUDMAN. You do not include that?

Secretary BELL. No.

Senator RUDMAN. Well, I don't think you should since you're proposing to eliminate it.

Secretary BELL. Right.

Senator RUDMAN. Mr. Chairman, could I possibly have a couple of more minutes for something on the same subject?

Senator SCHMITT. Sure.

ADMINISTRATION OF PELL GRANTS

Senator RUDMAN. I just want to talk to you about the administration of the Pell grants. You set forth the eligibility. That seems to be a fairly clear-cut mathematical computation. Do you agree with that?

Secretary BELL. Yes.

Senator RUDMAN. And so determining eligibility should be a fairly straight-forward mathematical computation—is that so?

Secretary BELL. It should be.

PRIVATE CONTRACTOR

Senator RUDMAN. That being so, I want to ask you something. You have a contract with a private contractor. It's going to increase from a cost to the U.S. Government of $28 million, including a $4 million cost overrun, to $37 million this year for the purpose of administering your Pell grant criteria.

I want to know why it's going to cost us that much more to determine the eligibility if we're going to be spending that much less money? That's No. 1.

No. 2, I want you to tell me if you're aware of the fact—this is before your administration, Mr. Secretary—that this company, I believe, is run by someone who had a part in constructing the apparatus for the bid for this particular contract while with the Department of Education, similar to Colluzzio case which I discussed before?

Can you answer that?

Secretary BELL. I would say that we're very aware of the individual who was involved in this. It's been investigated extensively. We haven't found any circumstances under which we could take, and it would now have to be as a private individual, legal action against this person. The cost overruns in this program are something we discussed at some length, I think with you, Mr. Chairman—at least our staff has. I'd like to ask Mr. Dingeldein to go into that in some depth with you.

PROCESSING COSTS

Senator RUDMAN. I'd like you to address the cost overruns. Also, Mr. Secretary, I would like to know if we're spending that much money to establish criteria, which, it seems to me, with all the money that we're spending on data processing in this Government, maybe we ought to be able to do for ourselves.

I'd like to know sometimes if this Government does anything for itself or whether we hire consultants to do everything for us.

Mr. DINGELDEIN. Senator, one of the important facts here is that it's somewhat of a misnomer to call it a cost overrun because the processing costs that we have described for you in the coming year are approximately at the same level as last year. The costs are, however, higher than what we included in our budget. We have included a substantial reduction in the budget with the expectation that those costs could be reduced. It turned out that it wasn't possible to reduce them as much as we had expected. But the costs for the current processing year are very much in line with what they were for 1980–81.

COMPETITIVE BID CONTRACT

Senator RUDMAN. Has there been any thought to putting this back out for competitive bid?

Mr. DINGELDEIN. We're looking at that. We haven't discussed it with the Secretary, frankly, but the main problem, as the staff has looked at it, is that there is a substantial lead time required for recompeting for a contract, and that would be the major problem.

Secretary BELL. Let me say, Senator, that we have looked at that. We can't put it out for competitive bid in the immediate year, but it's surely going out for competitive bid the following year.

Now we would be willing, Senator, if we were directed to do so by the Congress, to respond to your question, "Does the Government ever do anything for itself?" We would be willing to employ the bureaucrats and run that big computer center ourselves. But in my experience, both out there and here, I think I can tell you with a high level of certainty that it would cost you more to do it here than it does to do it in the private sector. At least that's my view of it.

And I would emphasize that this isn't something that we have just started in this administration—that's where the Pell grant program has been, the computer analysis and processing of the paper since it started. You can say, well, because it's always been there, do you have to mindlessly leave it there? I would say, certainly not. If there is a better and more effective way to do it, then we ought to move there. But I would emphasize that we have been trying to cut down the size of the Department of Education bureaucracy, and we've come a ways. There are 1,700 less people working in the Department of Education than there were a year ago last January. We are down from 7,000 to 5,300 employees. And so we have been shrinking the size considerably.

COST PER PELL GRANT APPLICATION

Senator RUDMAN. Well, let me just wind up, Mr. Chairman, by simply saying to the Secretary that I understand what you're saying. I did not ask these questions from a total lack of knowledge or in a vacuum. I would just point out to you that your costs per application, from what is essentially a simple mathematical computation, are running about $49.60 per Pell grant issued. I don't know how many applications they have. They have obviously something more.

That's high by anybody's standards. I can show you that it's high. My only reason for raising it today, and I recognize that this is something that you inherited with your administration of the Department, is that it seems to me that if we're cutting down on the amount of money and the number of grants, I don't see why data processing costs should increase by that number of millions of dollars when the efficiency of data processing in the last 3 years on a unit basis has become very cost effective. I hope you look into it.

Mr. JONES. Senator, if I may, the Pell grant money is forward-funded. So the $1.4 billion we're talking about is a year from this coming fall. It would not impact at this point in time on the data processing requirements of this contract. But I do assure you that when the Secretary had been apprised of this cost problem, he immediately had taken action to reduce the costs. We are going to continually follow this particular issue in the succeeding months.

Senator RUDMAN. Well, Mr. Chairman, I would just like to for the record ask that this committee be notified when you decide either to or not to put out this particular evaluation to new competitive bid.

Secretary BELL. We shall do that. I have asked the auditors and the Inspector General's office immediately, when I knew of the additional costs and the supplemental that we were going to ask you about, to examine the whole thing. I don't think that anything has been audited and reviewed more than that program.

Now I don't want to sit here and sanctimoniously say that it's just perfect and we're doing everything right. I know better than that. But we're struggling with those costs. I would say that we have to, as a matter of law, process the application of every student who applies for a grant. There are many who apply who can't qualify. It's so obvious on the face of it that they can't.

Because of that, I think the measure of how much per unit ought to include those who apply because we have to process them. We're required to by law.

Senator RUDMAN. Would you supply that to us for the record? Would you supply the cost per application?

Secretary BELL. We shall.

[The information follows:]

PER UNIT PROCESSING COST

The cost of processing a unit of contract activity such as an application is approximately $1.85. It is important to remember that this cost is useful only for general budget discussions, but is not a contractually defined unit cost.

The Pell grant application processing contractor performs many services in addition to processing initial applications and corrections to applications. For example, the central processor answers questions concerning the application received from students, parents, and aid administrators either by telephone or by letter. Also, the central processor provides colleges, State agencies, and the Department with student data. Corrections to student records as well as payments under the alternate disbursement system are also handled by the central processor. Because of the nature of the contract (cost plus fixed fee), the Department is billed for labor, computer time, and other costs used for the entire project. Therefore, it is difficult to associate costs with a specific activity, such as processing an application.

CONTRACT FOR COLLECTION OF DEFAULTED LOANS

Secretary BELL. I would indicate to this committee that if the GAO or studies of this committee or anyone else can advise me on how we can more effectively operate that program, I want to do it. Every dollar we put there is a dollar not available in other areas we're talking about here. I want to be open and teachable and responsive to that.

I wouldn't want to sit here and say that everything that we've done is right, that we haven't made any mistakes and that we couldn't do it better. I know better than that.

Senator RUDMAN. Mr. Chairman, I just want to state to you that at one of our hearings several weeks ago, at a time when you were attending another hearing, I believe, we had a discussion with the Department about the award of a contract for the collection of defaulted loans. The history of that bid was that the individual who now is with the company that received the bid did have—I think it would be fair to say—some either direct, indirect or ancillary role to play in the preparation of the specifications for the bid. Now to find from information that has been furnished to the company that has this rather, I think, lucrative contract is also in this case, I think, possibly owned by a principal or a major officer who was a former Department of Education employee—these are matters which predate the Secretary of this administration. But it just seems to me that those are the kinds of thing that we ought to look at because those are the kinds of things that make the American public very skeptical about what we're all doing up here and whether anybody's watching the store.

That is why I raise this particular question with the Secretary. I think that it requires some looking into and some response to this committee.

Secretary BELL. I agree. It needs plenty of scrutiny. All of us ought to ask ourselves if there are further steps that we can take in that regard.

Senator SCHMITT. Thank you, Mr. Secretary. Senator Rudman's points are well taken. The subcommittee will continue to work with him in pursuing these particular kinds of potential conflicts of interest, revolving doors that might not be covered by other aspects of the ethics in Government code.

Thank you, Senator Rudman, for bringing that to the attention of the subcommittee.

IMPACT OF 1982 RESCISSION

Mr. Secretary, with respect to rescissions for 1982, would you respond to the criticism that the action of this administration in proposing rescissions in various programs is going to cause considerable difficulty in the budget planning for this coming season, the fall?

Secretary BELL. I know that it's a problem in that it, in effect, is coming back to you after you've acted and saying, won't you please reconsider? We're in that waiting time now that I think will soon be over for this year. Then we can proceed. The President felt so strongly about the budget level, and our OMB colleagues felt, and we concurred, that we ought to just try once more, in view of the enormous decline of the revenue picture in the economy, to see if we could persuade the Congress to take another look.

That's the best answer I can give overall to those rescissions.

WORKLOAD OF PELL GRANT PROCESSING

Senator SCHMITT. Mr. Secretary, it just occurred to me to ask you this question relative to Senator Rudman's previous questions and discussion. Is the workload on Pell grant processing a seasonal load? And if so, could you supply the committee with an indication of how that load varies with the season?

Secretary BELL. Yes, sir.

[The information follows:]

PELL GRANT SEASONAL WORKLOAD

The workload on Pell grant processing is seasonal. By July, approximately 61 percent of the Pell grant applicants have been processed through our system with another 22 percent processed between July and September. Corrections follow a similar pattern with approximately 60 percent processed by September and another 27 percent processed between September and December. Following is a monthly summary of 1981-82 application and correction volumes.

Month	Applications[1]	Corrections[1]
April 1981	587,539	0
May	1,921,416	0
June	776,584	315,813
July	404,534	467,278
August	334,605	319,376
September	433,941	420,861
October	196,347	253,627
November	163,084	237,495
December	178,069	184,368
January 1982	99,653	131,544
February	134,436	89,861
March	147,889	104,754
Total	5,378,097	2,524,977

[1] As of March 28, 1982.

CONTRACTOR INVESTIGATION

Secretary BELL. I think that Mr. Elmendorf would know about the seasonability of that, if you'd care to comment.

Dr. ELMENDORF. Yes, sir, it is. In our investigation of the contractor which led to the supplemental request from your committee, we found that the workload was, in fact, one of the major reasons for the excess costs charged to the Department because we were processing—actually stopped processing, as I understand, last year and there was a burden that was not overcome until September that cost millions of dollars.

I should also point out, too, that in our request to you, we have taken management action under the Secretary's leadership to cut $2.5 million of anticipated costs out of that contract and have so notified the institutions last week. We would consider that a responsible way to deal with potential knowledge, overrun potential of this contract.

Secretary BELL. We'd have to say after taking that amount out, as Senator Rudman was pointing out, it is still a very high contract.

Senator SCHMITT. When is the peak workload?

Dr. ELMENDORF. It really depends on when the system begins and when the applications come in. We started the system this year on May 15, which was approximately a month earlier than the year before. We have, as part of our cost reductions, set it up so that about 225,000 applications can be processed every week. Unless there is an excessive burden placed on the system by more applicants than we expect, and that's about 5 million, the turn-around time, the time it takes for an application to get back in the hands of the student, would be, at maximum, 49 days down to about 2 or 3 weeks.

Senator SCHMITT. When does the workload start to drop off?

Dr. ELMENDORF. I would say late summer, early fall.

GOVERNMENT-RUN COMPUTER

Senator SCHMITT. I have knowledge of a Government-run, just recently modernized computer facility that handles, if I remember correctly, 60 million FICA reports from industry, which, during that period of time you just described, has its lowest workload and three-quarters of its capacity idle. Could we explore with you the possibility of that facility contributing to the processing of this material?

Secretary BELL. That could be a good match. As we come up to where we want to rebid or we want to reconstruct some way the processing of this——

Senator SCHMITT. There are three data operations centers that handle FICA reports from employers. This is the one in Albuquerque that is, I guess, the largest and most modern. Its workload drops off very fast in May and picks up very fast in December. During that period of time, there's about a one-fourth time, and we're searching for ways in which we can more economically utilize that capacity since it means it's not only idle, but it means that they have a large temporary work force which also tends to be inefficient.

Secretary BELL. Right. And then you have a large capital investment which isn't working at full speed.

Senator SCHMITT. So we'll explore that with you and see if that might not be a partial answer, if it looks as if Senator Rudman is correct and that another look ought to be taken at that contract.

Secretary BELL. Right.

Senator SCHMITT. Mr. Secretary—excuse me, Senator Rudman?

Senator RUDMAN. No, continue, Mr. Chairman.

FOUNDATION PROPOSAL

Senator SCHMITT. When you set up your fiscal 1983 budget under the format of a foundation for education assistance, some, at least, anticipated that that might be authorized. When do you now anticipate that the foundation proposal may be formally transmitted?

Secretary BELL. We are finding that we need to do more one-on-one contacts on that proposal. Our assessment is that if we move forward now, our proposal would not meet with success. Therefore, we are by all means not abandoning our proposal. But we wanted to work more systematically and individually with Representatives and Senators and do more to gain a broader base of support for our proposal than we now have. Inside the administration, as we have talked about that, the understanding is that we will continue to do our work. As you know, Senator, we were up talking to you in your office about it. We have been in touch with others. Every time we can get a spare moment, we try to make an appointment to come up, sit down on a very personal basis and talk about what we're proposing.

When we'll introduce the bill is indefinite. Some have tried to press me and say, well, is it dead for this year? I have said, by no means, it isn't. Then the reporter turns it around and says, well, are you going to introduce it this year? I have said, that's going to be contingent upon the kind of support we think we can get.

I would say that as we continue to work and talk about the proposal, and it is a good proposal, we're getting some support. But it's slow going. It needs a lot of explanation. It's a complex matter that needs a lot of discussion.

Senator SCHMITT. Mr. Secretary, I think you're taking the right approach. I think there is merit to major proportions of the proposal. And maybe demerit to a few specifics. That's what you have to work out. But let me caution you not to wait too long or you'll lose a whole congressional season in joining in that debate. Things don't get passed necessarily in the Congress in which they're introduced. Believe me. My major legislative efforts have taken 3 to 5 years to get through this place. Anybody with a good, innovative idea has to spend the time that you have, I think, to make sure that the rest of the world understands that it's good and innovative.

Secretary BELL. We did one assessment up here and thought, well, we ought to take a little more time. We're in that process now.

Senator SCHMITT. I certainly hope that you won't take the entire second half of this session of Congress.

Secretary BELL. We'll be back to you on that.

Senator SCHMITT. Because having some time this summer to explore it in a more formal context in the various committees and subcommittees will probably be very helpful to what would eventually happen next year.

Secretary BELL. Right, very good.

Senator SCHMITT. Senator Rudman?

HANDICAPPED EDUCATION

Senator RUDMAN. I really only have one other question for Secretary Bell. Assistant Secretary Tufts has given me a rather thorough briefing on your proposal to deal with handicapped education. She has done that because, No. 1, I know her. She's from my State. Second, she knows of my interest in the field. Those are very interesting proposals. I have heard from a number of parent groups who aren't necessarily pleased but maybe not as displeased as they thought they would be.

Now you're proposing a 30-percent reduction in funding in that area this year. Assuming that you don't get the legislative changes through, I wonder what your position is about continuing with the request to us for the 30-percent reduction.

The reason I ask you for it is because, you know, if you take away the carrot, you've got to take away the stick, and that's what you're proposing. But if we don't get those legislative changes accomplished, then I think it would be grossly unfair to the school districts to leave these Federal mandates in place while pulling these funds out from under them.

I just wonder what your plans are in that area?

Secretary BELL. First of all, I'd say that there are some things that we can do by regulation reform. We're in the process of doing that now. I think after one more meeting with my staff we'll be ready to send proposed changes through OMB for their clearance and then up here for your review.

With respect to the reduction from 1982 to 1983, the cuts aren't, as I understand it, quite as large as you stated. I'd like to ask Mrs. Christensen if she would talk to those numbers specifically and see if what I'm saying may be right or not.

Senator RUDMAN. Before you respond, let me simply say that if I'm incorrect, I'll stand corrected. My figures say a $1.2 billion cut down to $845 million. That's a cut of 30 percent by my figures. A similar rescission has been proposed for the current fiscal year. Of course, those are my figures. Are they incorrect?

Ms. CHRISTENSEN. Your figures are basically correct. The rationale is that the Federal share is such a small percentage of the total. The Federal share of the total cost for educating a handicapped child under our revised budget is 3.7 percent in 1982. In 1983, our reduction would bring that down to 3.2 percent, or just $11, or about half a percentage point.

The total impact of these cuts is negligible. We would expect that the States and local agencies would be able to bring in some support from other areas.

Senator RUDMAN. OK, I hear what you're saying. But I just wanted to make sure that I can still add, subtract, divide, and multiply. The Federal contribution—let's try to make it very simple—the Federal contribution is being proposed to be reduced by 30 percent. Is that true or false?

Ms. CHRISTENSEN. The total Federal appropriation is being reduced by 25 percent in 1982 and 6 percent between 1982 and 1983. So that you're basically correct.

Senator RUDMAN. That's 31 percent.

Ms. CHRISTENSEN. That's the Federal appropriation. As a percent of the total cost, the Federal share is very small.

Senator RUDMAN. I understand that. Whether or not the States and localities are going to come in and make that up is, of course, another question altogether. I've just got to understand whether or not that reduction is about right. It's about 30 or 31 percent.

Ms. CHRISTENSEN. In Federal appropriation.

Senator RUDMAN. Fine. Now that we have that settled, Mr. Secretary, you stated that some regulations may help some of the way. But they're not going to help all of the way.

Secretary BELL. That's correct.

HANDICAPPED MANDATES IN FEDERAL LAW

Senator RUDMAN. I repeat my question—Are you willing to reconsider your position about cutting some of this funding if, in fact, we keep these mandates on the backs of these local school districts? That's my question.

Secretary Bell. We would want to stand on our budget. That sounds awfully rigid, I know when I say it. But we also think that our bill is such a good one, that it's going to pass. We hope we won't have to face that hypothetical situation.

We think the proposal just makes a lot of sense. I hope you agree with us on that. Jean Tufts and her staff have done a lot of fine work on that. We think that the proposed legislation plus the regulations we're proposing will make it possible for us not to have to face that contingency.

I don't think I can tell you we would back off from our request for budget cuts.

Senator Rudman. I expected that would be your answer. I'm sure we would expect you to stand on your budget. But if those mandates aren't going, you can bet a lot of people are going to jump on your budget. I'll be one of them, because I have felt that it is just patently unfair of this Congress, through laws, and agencies and departments through regulations, to impose mandated burdens on local communities and then take away the funds. That is not only not representative Government—that's a form of tyranny that I thought we got rid of in the Boston Tea Party.

There is no way that I think you will get these proposals through if these mandates stay in the local communities. I want to make that very clear to you. That's all I have, Mr. Chairman.

Senator Schmitt. I think you said it very well, Senator. You said it very well. I don't recall you being present at the Boston Tea Party. [Laughter.]

Secretary Bell. If I could comment——

Senator Schmitt. About the Tea Party? [Laughter.]

Secretary Bell [continuing]. About jumping on me about this budget, I would just tell the Senator that I have never had any more jumping on with regard to a budget than this one in all of my career.

Senator Rudman. It's good for the soul, Mr. Secretary.

Secretary Bell. But if I could editorialize to you, I would just say to this committee, it's a good budget. It fits the times we're in. And it's do-able. If I could interject here the strongest plea for us, to give us support because of what is happening to us over on the House side. We're going to have some budget busting there. I need to get that budget down to that $10 billion mark. It's do-able.

I hope, Mr. Chairman, you don't mind my oratory and my pep talk here.

Senator Schmitt. Not at all.

Secretary Bell. I would just make the strongest plea, and maybe I should save it for the end——

Senator Schmitt. That's what you're here for.

Secretary Bell [continuing]. But maybe Senator Rudman won't be here then——

Senator Rudman. I'm usually here.

Senator Schmitt. You mean there's more to this budget than meets the eye?

Secretary BELL. There surely is. It's a good budget. There are those who say there's less to it than meets the eye, but they're wrong, Mr. Chairman. [Laughter.]

Senator SCHMITT. Senator Rudman, Secretary Bell was not at the Boston Tea Party. In reality, he's only 35 years old.

Secretary BELL. Thank you very much.

EFFECT OF PROPOSED TITLE I REDUCTIONS

Senator SCHMITT. Mr. Secretary, as with the 1982 rescission proposal, you predict that the title I budget reduction for fiscal year 1983 would primarily affect the expenditures per pupil, not the number of pupils served. Isn't it more likely that the school districts will merely eliminate many children from the program, rather than attempt to find ways to reduce the per-pupil expenditure so that the same number of children would be served?

Secretary BELL. I don't think that will happen, Mr. Chairman. I hope this isn't just a wishful statement. I think the fact that those students have been served and there's a constituency will tend to influence the school districts to look at serving them at the cost levels we've talked about.

Now I don't want to sound like a huckster on this, or to say that all of the school districts in the country are going to shift over to programs that cost around $400. I know that won't happen. But I think a significant number of them will. Superintendents like Frank Sanchez in your home State of New Mexico, who are good managers, will look at the approaches in these low-cost exemplary projects for possible use in their school districts. I think that those kinds of innovative school superintendents are going to be looking for ways to serve the students in the most cost-effective manner possible. We do have some successful title I projects, which the evaluation data verifies, that cost $400 a student.

There are some projects whose costs average around $525 a student. The reduction down to $1.9 billion for title I was a difficult one for us to propose. But we have to reduce these large program areas in our budget if we are to get down to the administration's spending ceilings. Reducing the Federal budget is a key element in the President's economic recovery program.

MIGRANT STUDENTS

Senator SCHMITT. With respect to migrant students, Mr. Secretary, due to the transient nature of migrants, who frequently travel from State to State in search of employment, the migrant education program has been considered a justifiable Federal responsibility. In light of the budget cuts in migrant education, how realistic is it to assume that the States will support the special education needs of migrant children in this transient population when severe cuts have already been made and are further proposed for many education programs serving the children of the resident population of the States?

Secretary BELL. The most knowledgeable person at this table, I think, on the migrant education program is Mrs. Christensen. I'd like to ask Sally, if she would, to discuss the specifics of that.

Ms. CHRISTENSEN. Between 1982 and 1983, we were keeping the same average per-pupil cost in the migrant program at $531. We don't think that the States will go down in that. The number of children served will decrease somehwat, but we believe that the States will keep this a very high priority.

Senator SCHMITT. Yes, but why? That's what you think, but I'm asking you why?

Ms. CHRISTENSEN. These funds are earmarked specifically for migrant education and are allocated to the States through a formula based on the number of full-time equivalent migrant students. We have talked to the States and there have been indications that they will continue serving migrant children through this program.

Senator SCHMITT. And why do you feel that the population will decrease?

Ms. CHRISTENSEN. Our budget would result in some decrease in the number of children served. This assumes that the average per-pupil cost for fiscal years 1982 and 1983 would stay about the same.

Senator SCHMITT. But you're not saying that the number of migrant students——

Ms. CHRISTENSEN. It would decrease slightly, but it depends on the numbers that there are. With an average per pupil cost of $531, we expect to serve approximately 305,000 students in 1983 as compared to 372,000 in 1982.

Senator SCHMITT. You're saying that part of the justification is that you've contacted States. They've indicated that at this level, they'll continue to support migrant student education, even though you're recommending a significant cut in title I?

Ms. CHRISTENSEN. We're not saying that there won't be cuts in some specific areas, but that, in general, the average per-pupil cost is going to stay at about $531 between 1982 and 1983, and with those figures remaining constant, the States would continue the program but serve fewer children.

Senator SCHMITT. Why is it you expect the per-pupil cost to be $530 when you're shooting for $400 in title I?

Ms. CHRISTENSEN. The average per-pupil has been higher in the State agency migrant program. They have traditionally spent more. We don't expect that that would decrease between those 2 years.

Senator SCHMITT. Is that because they are less well prepared and take more individual instruction?

Ms. CHRISTENSEN. That's right. The compensatory services to bring those children up to a level that's comparable costs more than it does for the regular compensatory programs. There are also summer programs involved. The program operates year-round. Schools often have to set up programs that are separate from the ordinary school year.

ELIMINATION OF CATEGORICAL PROGRAMS

Senator SCHMITT. Mr. Secretary, the Department proposes to eliminate funding for a number of special programs by rescission and then proposes no funding in 1983, for such programs as Follow Through, civil rights training, advisory services, bio-medical service, women's educational equity, aid to the Virgin Islands and law-related education. Isn't it too late in the year to expect States to fund these categorical programs out of their fiscal year 1982 block grant allocations?

Secretary BELL. I don't know to what extent they will be picked up by the block grants after July 1, since the discretion is out there with the States and locals. I would just point out that many of those activities are significant. I don't know that they are all vital to education, in that the absence of their services would do great damage.

Senator SCHMITT. We could argue about that philosophically, but, again, we're in the position of States moving forward in programs and then, through rescission, suddenly finding out that they're not going to have funds for them.

Secretary BELL. That's right.

Senator SCHMITT. So your answer would be the same as you gave us previously on this, more or less.

Secretary BELL. I think so, yes.

Senator SCHMITT. Senator Rudman?

REPORT ON STUDENT LOANS

Senator RUDMAN. I thank you, Mr. Chairman. I'm going to have to move on to another meeting, but I just wanted to remind Secretary Bell that I believe there is a report of some kind that we're expecting that deals with the manner or method, the background of the award of the collection contract on student loans. I believe Mr. Jones and others are working on that at the Department.

Dr. ELMENDORF. Yes, sir, relative to the questions you asked.

Senator RUDMAN. That is correct.

Dr. ELMENDORF. We have a draft copy right here in front of us.

Senator RUDMAN. Fine. We would very much like to see that. How soon do you think we'll have that?

Dr. ELMENDORF. I would assume very quickly. Within a week.

Senator RUDMAN. Is that something the Inspector General in your Department is playing some role in or is that done outside of the Inspector General?

Dr. ELMENDORF. I think that they have been contacted on it. We are checking with ethics counsellors and have assured ourselves that the proper steps were taken with the individual. The report will so state.

Senator RUDMAN. Well, I just wanted that. I also would like to know whatever background data you would have already prepared, not any new work, that pertains to the administration of the Pell grants that we have been talking about today. Evidently, you have checked into that. You have some reports. I wonder if you might share some of those with this committee.

Secretary BELL. Right. We would be pleased to do that.

Senator RUDMAN. Quite frankly, I would like to look at them and discuss them with our chairman. If we think there is any reason to hold hearings on them involving those people and the people here at this table, we might just want to do that and throw a little bit of light on this whole matter.

Secretary BELL. Very good.

Senator RUDMAN. I would like those as soon as you might have them. Thank you, Mr. Chairman.

[The information follows:]

COLLECTIONS CONTRACT

Mr. Nazzerino (Nat) Coluzzi was an employee of the Department/Office of Education from 1966 until January of 1982. During those years he was a senior supervisor in the Guaranteed Student Loan program. At no time did he occupy the position of a contract officer as that term is used in the Department of Education.

Mr. Coluzzi was primarily responsible for drafting the technical specifications which went into the request for a proposal submitted on three collections contracts during 1981.

Three collections contracts were awarded: two for the Chicago and Atlanta collections operations to Gulf Coast Services, and one for the San Francisco site to Payco American. These contracts were awarded under the strictest of controls imposed by the Division of Grants and Contracts Management in the Department of Education. Mr. Coluzzi did participate in the technical proposal review process as did a number of other professional staff personnel in the Department who were familiar with loan collection activities. However, he was excluded from the contract award process, which is conducted solely by the Division of Grants and Contracts Management.

It is true that following Mr. Coluzzi's retirement from the Department of Education in early January of this year he did enter into a consultant agreement with Payco American Corporation.

We have been informed that Mr. Coluzzi has discussed the employment relationship with Payco American Inc. with the Department Ethics Counselor. Mr. Coluzzi was advised that as long as he had not negotiated employment opportunities with Payco American before he left Federal service and that he will not represent Payco American before the Federal Government with respect to the particular collections contract under discussion, no applicable conflict of interest law or regulation will have been violated.

Inasmuch as one group of small collection agencies (banded together under a consortium arrangement) did protest the request for proposal after it had been published in the summer of 1981, we believe it proper to attach the Comptroller General's decision in this matter as an addendum to this. The Comptroller General's decision memorandum number B-203996 dated December 23, 1981, is attached.

FILE: B-203996
B-203996.2

DATE: December 23, 1981

MATTER OF:

Coalition of Higher Education Assistance Organizations; American Collectors Association, Inc.

DIGEST:

1. The determination of the needs of the Government and the methods of accommodating the needs is primarily the responsibility of the procuring agency. A protester who objects to the specifications in an RFP bears a heavy burden. Protesters' objections to the RFP specifications concerning hardware, software, location of office, etc., will not be questioned since it cannot be concluded that the procuring activity has no reasonable basis for those requirements.

2. Competitive advantage gained by offeror as a result of prior performance of Government contract is not improper.

The Coalition of Higher Education Assistance Organizations (COHEAO) and the American Collectors Association, Inc. (ACA), are trade associations protesting on behalf of their membership request for proposals (RFP) No. 81-093 issued by the Department of Education (Education) for private agency collection of defaulted student loans under the Federal Insured Student Loan and National Direct Student Loan Programs, two segments of the Guaranteed Student Loan Program. We have been advised by Education that the contracts were awarded, the protests notwithstanding, on November 25, 1981.

We deny the protests.

Education has consolidated all of its Guaranteed Student Loan Program accounts into three regional offices: Atlanta, Chicago and San Francisco. The RFP provided that three contracts will be awarded--one contract for each city and the corresponding regional area. Each offeror could submit a separate proposal for up to two of the cities. If an offeror submitted a proposal for each city, all of its proposals would be rejected.

Essentially, COHEAO and ACA submit that section 1.1 of the Statement of Work is overly restrictive and limits competition. The section provides that, if an offer is submitted to collect delinquent student loans for any region, an office must be established in the corresponding city on or before the time of award. In addition, both contend that there is no need for an office in any of the cities. The protesters also question the requirements for hardware, software and the schedule of deliverables. Moreover, COHEAO states that the following requirements are unnecessary: the placement of a monitor at the collection agency's office in the region, telling the collection agency how to train their employees or how to achieve quality control or the type of letterhead to use or how to update its internal files.

A protester who objects to the specifications in an RFP bears a heavy burden. Washex Machinery Corporation, B-191224, July 20, 1978, 78-2 CPD 54. This is because the determination of the needs of the Government and the methods of accommodating the needs is primarily the responsibility of the contracting agencies of the Government. Manufacturing Data Systems, Incorporated, B-180608, June 28, 1974, 74-1 CPD 348; 38 Comp. Gen. 190 (1958); B-174140, B-174205, May 16, 1972. We recognize that Government procurement officials, who are familiar with the conditions under which supplies, equipment or services have been used in the past and how they are to be used in the future, are generally in the best position to know the Government's actual needs and, therefore, are best able to draft appropriate specifications. Particle Data, Inc., B-179762, B-178718, May 15, 1974, 74-1 CPD 257. Consequently, we will not question an agency's determination of what its minimum needs are unless there is a clear showing that the determination has no reasonable basis. Hydro Conduit Corporation, B-188999, October 11, 1977, 77-2 CPD 282; Microcom Corporation, B-186057, November 8, 1976, 76-2 CPD 385.

On the other hand, we also recognize that procurement agencies are required to state specifications in terms which will permit the broadest field of competition within the minimum needs required and not the maximum desired. Specifications based only on personal preference or a finding that a particular item has superior or more desirable characteristics in excess of the Government's actual needs are generally considered overly restrictive. Drexel Dynamics Corporation, B-188277, June 2, 1977, 77-1 CPD 385 (reversed on new facts in The Raymond Corporation; Air Force--requests for reconsideration, B-188277, September 16, 1977, 77-2 CPD 197); Maremont Corporation, 55 Comp. Gen. 1365 (1976), 76-2 CPD 181.

With respect to the issue concerning the establishing of an office by the time of award, COHEAO and ACA complain that this requirement without any indication of award would be a prohibitive investment for many companies and, therefore, restricts competition. Essentially, it is the protesters' position, assuming that the office requirement is reasonable, that an office could be established within a reasonable amount of time from award and the performance dates specified in the RFP could still be satisfied.

It is Education's position that the requirement was necessary because:

> "The offeror must be able to show that it is able to start work immediately (date of award) due to the urgency of the requirement."

In addition, Education says, and we agree, that this requirement did not preclude any potential offeror from submitting a proposal. It only required that the successful offeror(s) show it was capable of establishing an office by the time the contract was awarded. In this regard, while the requirement could have more clearly indicated that Education was concerned with an offeror's ability to establish an office, this does not render the specification overly restrictive.

Concerning the need for an office within the contract designated city, the protesters question the requirement. It appears that they believe other methods could be established to permit collection agencies without an office in the specified city to provide the specified debt collection operations.

Education, on the other hand, contends that an office within the contract city is needed because of "the necessary interrelationship between the contractor and project office for exchange of information, communications with the [Guaranteed Student Loan] system, and the necessity, presented by law, for the Government to make certain decisions on defaulted accounts." Education believes this would enhance the efficiency and effectiveness of the debt collection operations. There would be an ease of the physical transfer of hard copy records and the computer tapes which is set forth in the RFP.

This requirement could hardly be termed unnecessary. Education, in an effort to obtain one of its objectives, a close and coordinated relationship with the collection agencies, which we find reasonable, has required an awardee to be located within close proximity of Education's regional office. While there may be other methods to accomplish this result, we do not find that this alone renders the requirement unreasonable.

The protesters next raise questions concerning the requirements for hardware, software and the schedule of deliverables. In regard to the hardware and software requirements, the protesters agree that compatibility with Education's computer system is a legitimate objective. However, the protesters contend that the requirement for specific hardware and the establishment of specific software are conducive to the large collection agencies. In addition, the requirement that the awardee's computer print its letters, how the awardee should update its internal files and what type of computer terminal must be utilized are all matters that should be left to the sound business judgment of the awardees. Both protesters question, COHEAO in more detail, the 1-month time period set forth under § 5.1- Contractor's Schedule of Deliverables for the establishment of an operational system (hardware and software)--and the testing of communications between the awardees and Education.

At the outset, we note that on August 6, 1981, amendment No. 3 was issued by Education. This amendment extended the timeframe from 1 month to 2 months for certain of the requirements under the schedule of deliveries. COHEAO, in its September 23, 1981, submission, mentions the amendment and characterizes the extension of time as reasonable. ACA, in its August 6, 1981, submission, merely states that the requirements can be accomplished on a timely basis, but 1 month is not enough. ACA never explains what time period it believes would be reasonable. In the circumstance, we need not discuss this issue any further.

In regard to the computer hardware, the RFP does not specify that the awardee must own the computer hardware. It is clear that an awardee can lease the equipment or subcontract for the equipment. As a matter of fact, the RFP provides the performance requirements and refers, in two instances, to a brand name piece of equipment, but permits "or equal" equipment. In addition, the exact configuration is not set forth in the RFP.

The same can be said of the computer software. The RFP specifies that the proposed system must be capable of interfacing with other ADP systems, specifically the current Education system. It describes certain mandatory requirements, but, as with the computer hardware, does not specify the exact software that an offeror must provide pursuant to the RFP.

We do not find that the hardware or software requirements are unreasonable or overly restrictive. We note that the protesters, while questioning the hardware and software, do not provide many specific objections directed towards the hardware or software themselves. What appears to be the major complaint is that the time period originally provided (30 days) was not sufficient to establish a system which would satisfy the RFP requirements. As noted above, this time period has been extended by amendment No. 3 and, therefore, the major complaint has been addressed by Education. However, COHEAO, in addition to objecting to the time period, submits that the programming requirements are geared to the incumbents.

Our review of the record, which includes the solicitation for the pilot project and the subject solicitation, indicates that, while there are some of the same requirements, the latter solicitation is different. Some major differences were the type, age and volume of loans covered. For example, the pilot project loans were those unsuccessfully worked on by the Government collectors in the regions. In addition, Education has stated that "[P]erformance according to the pilot project requirement would be unacceptable under the new requirement." Also, "there was no interface with the central processor due to the small volume of accounts and tasks being performed by the Government." Moreover, we have recognized that a firm may enjoy a competitive advantage by virtue of its incumbency or its own particular circumstances. As we stated in Birdsboro Corporation, B-184691, September 8, 1976, 76-2 CPD 226, there is no requirement for equalizing competition by taking into consideration these types of advantages. So long as the incumbents were not given preferential treatment in the competition, their competitors have no basis to object merely because of their advantage, having the equipment utilized in the prior contracts.

With respect to COHEAO's general objection to monitor placement, training, quality control, letterhead and internal updating of files, we reiterate the heavy burden a protester must satisfy when objecting to specifications. Education, in response to the site monitor requirement, states that, since the Government is the only party that can authorize adjustments or deferments of a loan, the onsite monitor would be able to make a decision immediately and thus facilitate loan collection. The monitor would be present solely for this purpose and not to supervise the contractor. Concerning the training, Education's position is that the actual training proposal will come from the contractor with the Government having the right to approve the program. The right of approval gives the Government the necessary assurances that the trainees will be adequately familiar with the applicable laws, regulations and the RFP's scope of work. In regard to the remainder of the objections, it appears that Education was concerned about the large volume of accounts to be handled and the almost certain need to have an automated system to handle the tasks required by the RFP. Out of necessity, a contractor's files must be constantly updated and its ability to receive data must be assured. As such, Education has a legitimate interest in a contractor's quality control and its updating of internal files. In this circumstance, we find that COHEAO has provided no basis for its general objections to certain RFP requirements.

We deny the protests.

Harry R. Van Cleve

For the Comptroller General
of the United States

MIGRANT EDUCATION

Senator SCHMITT. Thank you, Senator.

Secretary BELL. Thank you, Senator.

Senator SCHMITT. We are looking at a period of time in late April after the major Government and public witnesses have appeared on the budget in general to see if there are a few of these subjects where we need to go into greater depth. We'll look at that in that context. It sounds like these reports may be useful in that period of time.

Senator RUDMAN. Thank you very much.

Senator SCHMITT. With respect to migrant education, again, Mr. Secretary, on the high school equivalency and college assistance programs, what evidence do you have to indicate that migrant youngsters will receive high school equivalency and college assistance other than in the Department of Education programs?

Secretary BELL. I don't believe that I have anything that would give assurance that they would. If Mrs. Christensen has some information on that, I'd ask her to respond.

Ms. CHRISTENSEN. The same kinds of programs available under the high school equivalency program are available under the adult education program in each of the States, which filters down to the local education agencies. In the case of the college assistance migrant program, that same kind of assistance is available in the TRIO program, particularly the portions of the TRIO program that we are not zeroing out. That assistance would be available to students while they are in college to give them special tutorial assistance and remedial education.

So for the high school equivalency and college assistance migrant programs there was duplication. These particular programs were transferred from the Department of Labor. The money goes to relatively few institutions and the per-pupil cost is extremely high for both programs. But the same kind of services are available in the other programs that I just mentioned.

PREDOMINANTLY BLACK INSTITUTIONS

Senator SCHMITT. Mr. Secretary, the administration and your Department are making a commendable effort to continue to assist and expand assistance to developing institutions, predominantly black institutions.

HISPANIC POPULATION

On the other hand, institutions that serve the other principal minority in this country, and that is the Hispanic population, a significant number of whom are migrant laborers, seem to be curtailed. I realize that it's technically more difficult to serve the Hispanic population because there are no Hispanic schools, per se. The normal public institutions tend to serve that need. Even though they may be dominantly Hispanic, they are not technically in the same category as the predominantly black institutions.

What are we going to do about this? We have comparable needs in education. We seem to be serving one population and not the other.

Secretary Bell. We do have those institutions that have been euphemistically referred to as the traditionally black colleges, those that were in place at the time of desegregation and, although they're not segregated institutions, they are the traditionally black colleges which have high concentrations of black students.

It's accurate that we don't have an equivalent type of institution for our other large minority population, the Hispanics. I think that what we ought to do, and maybe we're not doing as good a job on that as we should, maybe we ought to be paying more attention to institutions that apply for participation under title III, that have high enrollments of Hispanic students.

I'd have to concede to you that possibly we haven't given that the amount of thought that we ought to give to it.

Specifically, what further we could say in responding to that question, I think that Dr. Elmendorf has some more specific information that might shed further light on it. But let me say that I think maybe that ought to be more in our consciousness than it is at the present time.

Senator Schmitt. Dr. Elmendorf?

HISPANICS ENROLLED IN COMMUNITY COLLEGES

Dr. Elmendorf. Yes, sir. We have been very aware of the distribution of the Hispanic population in terms of their enrollment in postsecondary education. We find that about 75 percent of Hispanics are enrolled in the community college sector.

With that in mind, in preparing the 1983 budget policy for Pell, and knowing that the community colleges have a disproportionate share of lower income students, we have protected the grants to the community colleges where we feel that most of the Hispanics are now enrolled. I think that is the kind of assurance that can't really protect a specific population, but in fact, can recognize where they're enrolled and recognize a program priority to insure that their enrollments are maintained.

Senator Schmitt. In addition to what Dr. Elmendorf has just said, Mr. Secretary, do you have any specific activities within the Department now aimed at trying to define this problem somewhat better and the opportunities more importantly?

OFFICE OF HISPANIC CONCERNS

Secretary Bell. We have in our agency an Office of Hispanic Concerns. I've had a recent discussion with some of our colleagues there. I recognize what Dr. Elmendorf has said. I know from discussions that there has been a lot of concern about that population and particular awareness that a huge number of them are in the community colleges. But in addition to that, I think we need to be doing more than we are doing to study and to gather data on the educational accomplishment of Hispanics in the United States.

I have one report that is a couple of years old now that addresses that. I think our Center for Educational Statistics and others that work in this area, including some of our colleagues from the Office of Bilingual Education, which is largely, but not exclusively, concerned with Hispanics, need to get a better data base about the participation and the access to education and their accomplishments. We've been involved in discussions on that quite recently.

I know that doesn't help to say that we're talking about it, but it does at least give some assurance that we're aware of it and we recognize a need to be leaning more heavily in that direction in providing opportunities for them.

Senator SCHMITT. Is this an Office of Hispanic Concerns that you have?

Secretary BELL. Yes.

Senator SCHMITT. Is it made up of permanently assigned professionals in the Department?

Secretary BELL. Yes; a very small number. It would just be, I think, two or three professionals, plus clerical help.

Senator SCHMITT. Attached to your office, funded out of your office?

Secretary BELL. It's under one of our Deputy Under Secretaries. Dr. John Rodriguez is the Deputy Under Secretary in that area.

SCIENCE AND ENGINEERING OPPORTUNITIES

Senator SCHMITT. We can certainly help you with some statistics. In my other committee activities, we've been looking again at the science and education activities of various minority groups. We find that a very low percentage of Hispanics are moving into the science and engineering fields in spite of the fact that this is probably the area of greatest employment opportunity, whether it's technical, vocational, or so-called professional. We're trying to work with the NSF and other organizations to see that the opportunities are more clearly apparent, not only to students, but to counselors.

Secretary BELL. Right.

Senator SCHMITT. You know, this problem exists even in the black community and other minority communities. Counselors have tended, apparently because they don't understand science and technology, or they've been for some reason in their own lives disillusioned by those opportunities, to steer students away from these tremendous career opportunities that exist today because of this very large shortfall that we're finding in college and graduate trained individuals.

Secretary BELL. A big problem we have and one that we ought to be doing more about is that our counselors largely come to their work with a background in psychology and other social sciences. They're not as knowledgeable and they don't have the level of confidence and the level of information that they ought to have with respect to science and technology fields. It's a big problem. We're simply not getting the student enrollments that we ought to get.

Senator SCHMITT. You're also not getting the elementary and secondary educational opportunities developed so that a student feels comfortable in enrolling in those areas when they reach college.

Secretary BELL. Right.

MATHEMATICS AND SCIENCE TRAINING

Senator SCHMITT. Mathematics training and science training are on the general decline at the elementary and secondary levels. There seems to be no major effort to bring them back up. There's a lot of talk, but no major effort.

Secretary BELL. That's right. With respect to that, as we talk and we're emphasizing that education is a State and local responsibility, we need more responsiveness to problems like this that are nationwide in scope. We don't have, and we don't want to ever have, a Federal ministry of education.

I have been saying, and I said to the Education Commission of the States, in an address I gave to them, that we simply need to get more State and local responsiveness in areas like this. We're losing mathematics teachers out of our schools now. They can get better jobs elsewhere. It's a problem that's getting to crisis proportions.

SINGLE SALARY SCHEDULE

I think that we need to deviate from the single salary schedule and have an incentive there for getting more math teachers and more people in the science and technology fields.

Senator SCHMITT. Will the teachers organization go along with that?

Secretary BELL. No, they wouldn't. They like the single-salary schedule. But we've got to break with that someplace. In my opinion, we have to. I think the big problem, not only here, but with respect to education and in general——

Senator SCHMITT. You're not saying that we ought to base salaries in education on skill, preparation, and years of experience, are you?

Secretary BELL. Well, I think we need to base it upon something besides the factors that now it's based on. We don't have a good, comprehensive system of recognition, reward, and promotion of teachers.

Senator SCHMITT. You did recognize that I was being facetious, I hope.

Secretary BELL. I did. I would also emphasize that we don't even do as well as we do in higher education, where we have some academic rank, some distinguished chairs, some endowed chairs. There are many things that local school boards can do, if we can persuade them to do it, and that State legislatures could do, if we could persuade them to do it.

I'd like to see, when a legislature appropriates more money for education, that they earmark a certain portion of it, even if it's a small portion, let most of it go for across the board if you have to, for many reasons, including political reasons, but always earmark part of it to recognize distinguished teaching and to meet needs like these in science and technology and set so much aside for that.

I know that's what the good universities do. They don't pay everything across the board. We need to do more to reward excellence and starve mediocrity in education if we're going to get to where we're going to have to be in this decade.

TEACHING PROFESSION AND SALARY LEVELS

Senator SCHMITT. Mr. Secretary, how did we get to the position where the most important profession affecting the future of our country, and that is the teaching profession, has been so immersed in mediocrity, if you wish, at least with respect to salary levels, that we find it now very, very difficult to attract even dedicated teachers to that profession, or if we get them, to keep them? How did we get there?

Secretary BELL. I think the budgets that are the most vulnerable to cut and to attack are those that are closer to your own backyard. That's the neighborhood school board.

Senator SCHMITT. But it didn't used to be that way. The teacher, up until just a few decades ago, was the paragon of the community. The teacher in the one-room school or in many other aspects of education was considered a leader of the community, was paid accordingly, and was afforded the kind of respect that they clearly deserved commensurate with the position and responsibility they held. Somehow or other, we lost that.

Secretary BELL. Well, I know that, comparatively, salaries used to be better than they are. But you can see from this white hair that I have been in the education business quite a while. During my memory, we have not been to where I saw many teachers blossoming out with a brand new car and some other things that we see in our society.

They've never been overly compensated for a long, long time. I know that the chairman didn't imply that with his comment.

Senator SCHMITT. No, no, my comment was just the opposite. I think that they are terribly undercompensated. But what my comment is, is that I'm asking you to give us some insight into why we got to where we are today with this most important profession affecting the future of the country being considered, apparently, the least important, if you look at salaries and respect and other aspects of the profession, particularly.

TAXPAYERS VOTE DIRECTLY ON BUDGETS

Secretary BELL. There aren't many areas in which taxpayers can vote directly on their budget level, but there is surely a lot of that. I know in your home State there isn't because you have a very good equalization program although there ought to be more money in it. But as far as equality among the school districts, New Mexico is one of the best in the country. The finance formula for allocating the resources is good. The resources available aren't much better than any other State. It's in the normal ballpark.

But most school systems have to face the electorate every year. Take the State of Washington, for example. Take the New England States, where they have the town meeting yet. It's there where the people vote down the levies. I think one of the reasons that they vote down the levies is because we haven't had some of the provisions that will recognize some of our most distinguished teachers.

It gets into a Henry the VIII thing. Maybe people are willing to pay if we had a better system of management, recognition, and reward than we have. I've been saying this many times and I've had some large debates with the school boards, and the National School Boards Association has been taking me to task on this, but I really think that the local school board ought to adopt policies that give more incentive, not only to learners to learn and to recognize and reward them, but for teachers to teach and to have some differential in our salary program. The method that we have for rewarding teachers is obsolete and not fit for today. It isn't for the Secretary of Education to say or to mandate that. Heaven forbid. But I do think that we have a responsibility to be constructive critics. Wherever I can be, I have been pounding on that.

Our national commission that we appointed and, again, I don't think that there is going to be any big magical solution out of that, but every place where I can, I have been pressing for us to be emphasizing excellence. You can't have excellence in learning if you don't do something about the teaching profession.

WOMEN IN TEACHING

I'm taking too much time, but another problem that comes with it now that didn't used to be there in years past, about the best job a woman could get into was teaching. But not any more. We find women in engineering and as M.D.'s and lawyers and all the rest. That's a wonderful thing. We're all for it. But because of it, we're not getting as high a percentage of the gifted and talented and bright and upper intellectual level women into teaching as we've had before.

So I think that is aggravating the problem. I think the teaching profession in America is really in pretty sad shape right now. That sounds awfully pessimistic. But I think somewhere, somehow, we've got to make some dramatic changes. The State legislature is the chief policymaking body—they ought to be doing it. The locally elected school board ought to be doing it.

If we could do a few things like that, that would really turn things around. Simple things like adopting policies that say that we're not going to promote students if the students are able unless they've reached a certain standard. If we had procedures for recognizing and rewarding and giving esteem—just look at the countless hours that a young man will spend on the basketball court because there's reward and applause. Why don't we bring that into academia and reward the mathematician and the scientist in school?

I didn't mean to start giving a speech, Mr. Chairman.

Senator SCHMITT. I started it. I appreciate those comments. I find it absolutely amazing that we have as many dedicated and sincere and qualified and persistent teachers that we have in elementary and secondary schools, considering the environment in which we give them to teach.

NATIONAL TEACHER OF THE YEAR

Secretary BELL. I might just indicate, while we're on the subject, Mr. Chairman, that this morning, at the White House, we recognized the National Teacher of the Year. That's just one gesture. I think there ought to be that kind of recognition. I know that doesn't pay the bills, but I think there ought to be that kind of recognition and that honoring of distinguished teachers all over the land, to the extent that we can do it. I think that students will strive to attain a higher level than they do now if we would give more recognition and reward. It's surprising what people will do just to get some recognition, some esteem, and some understanding.

Senator SCHMITT. I wouldn't say it's surprising—it's human nature.

Secretary BELL. Yes.

Senator SCHMITT. The recent science fairs that we've had in New Mexico for this year, as I recall, have attracted about three times more entries than in the year before. Recognition is important. They're doing some remarkable work.

Mr. Secretary, a few more questions and then I believe that Senator Hatfield is going to be here for a few questions. We will probably have to try to arrange for another time with you in a couple of weeks when both of our schedules will match so that we can proceed with some more detail.

Secretary BELL. Very good.

Senator SCHMITT. You and I tend to get too philosophical and not practical enough.

Secretary BELL. Right.

BILINGUAL EDUCATION

Senator SCHMITT. I hope that doesn't reflect the reason the budget is the way it is. But in bilingual education, recent projections estimate that while the overall school-age population will grow by approximately 16 percent by the year 2000, language minority school-age children will increase by approximately 40 percent in that same period.

Do you agree with that estimate?

Secretary BELL. I couldn't disagree with it. I wonder if someone else at the table can recognize that number. Dr. Jones?

Mr. JONES. The estimates we have been analyzing for the non-English-speaking children have a wide range, Senator. We're attempting in the Department to focus on precisely what is the most appropriate figure to be using.

As far as estimates are concerned, we are looking at a range from 1 to 3½ million students that either could be or are currently eligible to be served under the current law by bilingual education. I'm not sure that I addressed your question precisely.

Senator SCHMITT. Well, we would like to have for our record your estimates of the increase, or changes—let's put it that way—in language minority school-age children that will enter our school system between now and let's say the end of the century, because, although you have indicated that you would like to see some changes in the bilingual program, if we are going to see an increase in numbers of school-age children that enter the school system with an English language deficiency, however the country may have handled that in the past, if they are, in fact, going to enter the school system with that deficiency, then we must have means, either local or otherwise, to deal with it, to make sure that they are able to progress at a pace comparable to their peers, while they develop English language proficiency.

That was, by the way, apparently a CRS number that we had and we'll get you the document from which it came.

[The information follows:]

SUMMARY OF REPORT: "PROJECTIONS OF NON-ENGLISH LANGUAGE BACKGROUND AND LIMITED ENGLISH PROFICIENT PERSONS IN THE UNITED STATES TO THE YEAR 2000"

A STUDY CONDUCTED BY INTERAMERICA RESEARCH ASSOCIATES FOR THE NATIONAL CENTER FOR EDUCATION STATISTICS, 1981

MAJOR FINDINGS

The non-English language background population consists of persons of any age whose usual or second individual language, usual or second household language, or mother tongue is other than English, whether or not they usually speak English. This population is projected to increase from 28 million persons in 1976 to 30 million in 1980, 34.7 million in 1990, and 39.5 million in the year 2000.

Limited English proficient persons are those of non-English language background (as defined above) who are also limited in English proficiency. The total number of limited English proficient children ages 5–14 estimated for 1976 is 2.5 million[1], with a drop to 2.4 million in 1980 and a gradual increase to 2.8 million in 1990 and 3.4 million in 2000.

The temporary declines seen in these projections for younger age groups reflect the projected temporary declines for the younger age groups in the entire U.S. population.

BACKGROUND

These are among the findings from a recent study conducted by InterAmerica and its subcontractor, WESTAT, Inc. for the National Center for Education Statistics. The study's purpose was to make demographic projections of the limited English speaking population in the United States for the years 1980, 1985, 1990, 1995, and 2000, using 1976 as the base year. Projections for the non-English background population were made because they are a prerequisite for the limited English speaking population projections.

The projections study provides information by language background on the non-English language background population and limited English proficient children, ages 5–14, by State for those States in which the sizes of the estimates met the established confidence levels.

SOURCES OF DATA

The major sources of data were: the 1975 Current Population Survey—Survey of Languages Supplement (CPS-SLS), the 1976 Survey of Income and Education (SIE), the 1978 Children's English and Services Study (CESS).

POSSIBLE DATA PROBLEMS

The projected numbers of non-English language background or language minority persons are subject to several caveats:

(1) The base year (1976) data include an unknown number of illegal or undocumented aliens. There is no source of accurate information on this group.

(2) The 1976 base year data do not reflect the immigration from the Caribbean, Southeast Asia, and elsewhere which has occurred since 1976, and the projections do not take into account immigration which may result in the future from economic or political upheavals abroad.

(3) The projections rest upon incomplete knowledge of growth rates and age structures of non-Spanish non-English language groups, some of which are doubtless

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[1] NOTE.—The reason why these data are well below the figure of 3.6 million children of limited English proficiency is because the 3.6 million includes the entire 4–18 age band and is based on extrapolation. The figure presented here uses the same data but for the 5–14 age band only, with no extrapolation.

overestimated and others underestimated for this reason.

(4) The projection rates which were used for all groups were based upon pre-1980 knowledge and understanding. Preliminary results from the 1980 census show that some minorities have been previously underestimated by as much as 25 percent..

The estimates and projections of the numbers of limited English proficient children (LEP's), ages 5 to 14, by language and by State, are subject to a special caution. These estimates are based upon ratios of LEP children to all language minority children in their age group derived from the 1978 Children's English and Services Study (CESS). The CESS provided direct estimates only for the States of California, New York, and Texas separately, and only for children from Spanish-speaking homes separately. Estimates of the number of LEP children from States other than California, New York, and Texas, and for children with non-English language backgrounds other than Spanish are based upon generalized rates. Therefore, the actual numbers of children in Massachusetts, Illinois, Washington, et cetera, and of children with Chinese, Navajo, or other language backgrounds may be lower or higher than the study estimates.

SILVER CITY SCHOOL SYSTEM

Senator SCHMITT. But when I went through the elementary and secondary school system of a small town in New Mexico, Silver City, even at that young age I could see that because of the inability to compete in English, many of my very good friends in the Hispanic community were dropping farther and farther behind and eventually, you looked around when you graduated from high school and they weren't there.

That situation has improved, I think, somewhat today, but it is still in portions of this country a problem. We must have the means to deal with it.

Do you feel that the budget request deals with that problem adequately?

Secretary BELL. The budget is cut back. We feel that the best use of those moneys we have in the bilingual ed program is helping the States and the local school systems meet this need by giving assistance to train more teachers and to develop further the instructional materials that are there.

Of course, we could use more money, maybe all we could get in that area. But we think, proportionate to the rest of the budget, that it's about where it ought to be.

We also know that our past expenditures have trained a large number of teachers. Some of the centers we've funded have developed a substantial amount of materials.

We've come a long way since we started with that program. But the budget number that we proposed had a lot of discussion. We looked at that, weighed it against some other numbers and that was our best judgment.

You may want to look at it and do some shifting around.

Senator SCHMITT. We'll be discussing it with you further.

Secretary BELL. We would make a strong plea if we could possibly persuade you not to increase the total number. Maybe there are better allocations within that. We realize all we can do is make a plea for it. But we'd like to keep that total number where it is.

INTERNATIONAL EDUCATION

Senator SCHMITT. Mr. Secretary, within the total amount provided for international education in fiscal 1982 of $24 million, what proportion was spent on Latin American studies?

Secretary BELL. Do you have a response to that, Mrs. Christensen? I couldn't handle that specifically.

Ms. CHRISTENSEN. I don't have a breakdown on Latin American studies specifically. That definitely is one of the areas. But the emphasis has been on the rarer languages. In fact, in our reduced budget, we are going to stress the areas of the Far East and the Middle East, where we feel that there is a larger need.

But I'll be glad to supply that for the record.

[The information follows:]

LATIN AMERICAN STUDIES

In 1982, approximately $2.5 million will be spent on Latin American studies. This amount is slightly more than 10 percent of the total 1982 appropriation for international education programs.

INCREASED EMPHASIS IN LATIN AMERICAN STUDIES

Senator SCHMITT. I hope you will because, in view of the news of the day, one might wonder if there shouldn't be increased emphasis in Latin American studies.

Secretary BELL. One of the concentrations in this program has been to be able to provide people knowledgeable about and with language competency in areas where we don't normally offer instruction in those languages.

Senator SCHMITT. But like with science and technology, we sometimes have to react a little bit to our national needs.

Secretary BELL. Right, I agree with that. With everything that we see going on down South, it's just telling us that we need to be more responsive.

Senator SCHMITT. Mr. Secretary, I am going to leave you in the very capable and able hands of Senator Hatfield, who made his entrance right on cue. We will definitely try to get back with you and finish up the detailed questions.

Secretary BELL. Right. Very good.

Senator SCHMITT. We'll both make a vow not to be as philosophical as we have been today.

Senator HATFIELD [presiding]. I will restore all cuts made previous to this point, Mr. Secretary. [Laughter.]

Secretary BELL. That's good to hear. If the chairman had been here earlier, I made an impassioned plea not to exceed our $10 billion budget. I suppose I don't need to repeat that, Mr. Chairman.

Senator HATFIELD. Not to exceed your budget?

Secretary BELL. We would hope that if you wanted to rearrange the numbers within our budget, that you wouldn't give us more than $10 billion total.

Senator HATFIELD. In other words, you're looking at a bottom line figure.

Secretary BELL. That's our plea. Knowing what we're going to be getting on the House side and not wanting to aggravate the overall problem, as I am sure you are aware, sir.

Senator HATFIELD. We could reduce the overhead and add to the programs.

Secretary BELL. If we need to, we should.

COMPARISON OF BUDGET REQUESTS

Senator HATFIELD. Let me get the feel of where you are and where I can pick up. I'm obviously coming into this cold.

[Pause.]

Nineteen hundred and eighty-two I'm looking at and trying to get a framework here for a moment. Am I correct that the 1982 Department of Education budget request was $17.1 billion under Mr. Carter's administration?

Secretary BELL. Yes.

Senator HATFIELD. And now in 1983, we're at $9.9 billion. Is that the general framework?

Secretary BELL. Mrs. Christensen is very familiar with our numbers. Maybe I could ask her to respond.

Ms. CHRISTENSEN. That's right, Mr. Chairman. That was President Carter's request to Congress for fiscal year 1982.

Senator HATFIELD. Yes; let me assume that you ended your subject matter with Senator Schmitt. Let me go to some particular areas of concern.

LIBRARY SERVICES AND RESCISSIONS

Let us talk a little bit about this question of library services. That's one of my particular areas of interest. Mr. Secretary, as you know, we have had two, I believe, General Accounting Office rulings relating to the—I use the word advisedly—impoundment of a portion of the Library Services Construction Act funds provided by the Congress in the current fiscal year 1982, in the continuing resolution.

Secretary BELL. Right.

Senator HATFIELD. I believe now we have had some suits brought by a number of States against the Department, and OMB is seeking to get those funds released.

What is the present status of this argument or this issue?

Secretary BELL. We have released all funds up to the proposed rescission level. The timeframe under the law for the rescission proposal will soon expire. If the rescissions we have proposed are not approved by the Congress, we will release the remaining funds.

Senator HATFIELD. That's about April 23.

Secretary BELL. I believe that's correct.

Senator HATFIELD. And this is the 15th.

Secretary BELL. Yes.

Senator HATFIELD. What is your assessment of what is going to happen? [Laughter.]

Secretary **Bell**. We would hope that we have been so persuasive in this hearing, Mr. Chairman, that you would approve our rescissions and that would settle the matter.

Senator **Hatfield**. But there is no question in your mind that in light of these rulings and pending action by some 9 or 10 States, that if the rescission proposal is not acted upon, and I believe that it is April 23, that you have no intention of trying to continue to withhold those remaining funds.

Secretary **Bell**. That's right. We have an agreement with OMB on that.

NEW FEDERALISM

Senator **Hatfield**. Let me first of all say that I believe I was one of the first to endorse the President's proposal of New Federalism, the concept or ideas that I understood in his pronouncement, and I still feel that it's a sound policy that he has announced.

I guess the real problem is the concern expressed by many State and local areas about the transition period and the ability to meet those new responsibilities at the State and local level, especially in times of economic unemployment, and large deficits that are now occurring at the State level.

It seems to me that, therefore, we have a chance to make that a reality if we phase it in, if we recognize the stress and strain of the moment, the economic stress and strain, and deal with it in a transitional way rather than an abrupt manner that somehow cuts off the program now in one fiscal year and, in effect, dumps it on the State and local governments for the coming fiscal year.

Secretary **Bell**. Yes.

Senator **Hatfield**. I had the very unhappy experience of visiting a county in my State down on the California border over the Easter recess, which, by the end of next week, will have to close all of their schools in the county because they were not able to pass their county budget. To talk about adding more responsibilities to that situation where there's 23 percent unemployment in that county is unrealistic.

FEDERAL PUBLIC LIBRARY SUPPORT

The basic point of my question is that I understand by the budget that there is a proposal to eliminate all Federal public library support which was $80 million in fiscal year 1982. It seems to me that this is running counter to the expectation that otherwise would be reasonable to try to get the State and local governments to assume more responsibilities and to adopt the principle of New Federalism.

To me, this is really running counter to the hope of achieving that concept in the New Federalism. Why has the administration proposed a complete elimination of library programs in a year's timeframe rather than in a gradual phase-out and transition that might find it possible and reasonable for the State and local governments to assume?

Secretary **Bell**. As I explained earlier in the hearing, we started out with a total budget number that I mentioned just after you came in of $10 billion. I faced the task of working back from that. As we looked at all of our areas in which we were allocating funds, we tried to see what the impact of reductions would be.

We found that Federal funds provided about 5 percent of the total costs of the libraries. We simply felt, and maybe you and others would say erroneously so, that a 5-percent reduction in their budgets could be absorbed more easily than adding to the size of the reduction that we already had to make in, for example, the title I program for disadvantaged children that we had already cut the previous year and had to reduce further this year.

It was a matter of choosing. As I understand it, we've had that program in place now for about 25 years. It's matched 20 to 1, which is a tribute to what you're saying of its success up to this time. We just felt under the pressures of the budget, a 5-percent reduction in the funding here—it's 100 percent of our aid, I would confess—but a 5-percent reduction in the public libraries budget might be able to be absorbed more easily than going deeper than a 20- or a 25-percent reduction in some of these other areas.

It was another one of those painful choices that I had to make, Mr. Chairman, after we arrived inside the administration at my budget allowance that I had to work with and then had to proceed to put together a budget and get it through OMB and up here.

Again, I would emphasize that I recognize the value and I have availed myself of it, of these great public libraries we have in this country. I think that much of it relates back to the 25-year history of this Congress, stimulating that up to this point.

Senator HATFIELD. Mr. Secretary, isn't there one further unique situation that revolves around this library fund in that these programs are current-year funded, whereas most educational programs are forward-funded? So that, in effect, the result is, as far as rescission is concerned, we would be, in effect, withdrawing this in the middle of a fiscal year?

Doesn't that make it even less equitable or fair or reasonable to apply it in that situation where it's not at all prospective? Some of these other programs are prospective in the sense that they can prepare for that reduction. But now in the rescission package, which includes about $20 some million of your public library program, which is current-year funded, that makes it very difficult.

Secretary BELL. I acknowledge that that is a telling point. For the forward-funded programs, administratively, you can make adjustments. No question about that.

OMB CIRCULAR A-10

Senator HATFIELD. Did you get that same memorandum from Mr. Stockman telling you that you could not answer questions in any way directly or indirectly that related to the possible program or funding at levels higher than the President's budget?

Secretary BELL. The memorandum was merely a restatement of OMB circular No. 10.

Senator HATFIELD. Yes.

Secretary BELL. It's been in existence for a long time. The point is a good one. Our job, as the chairman knows, is to come here and defend the President's budget. If we get from the committee a question on how would we cut thus and so out of the budget, or a leading question in the other direction such as couldn't you use another $500 million, how do you respond to that?

If all of us up here testifying on the budget start saying, well, surely another $500 million would be great, and then the leading question says, well, how would you spend it? And I get enthused and start waxing eloquent on all the great things that we could do with another $500 million, like the library program, pretty soon the President's defense of his budget is down the tubes. The President has to depend on his Cabinet to be up here defending his budget.

That's why I made the strong appeal a while ago in this hearing, please, if the numbers have to be rearranged, if we made a mistake on the library part of it, please could you find a place to take it from within the total?

I don't think that the intent of the administration was to muzzle anyone or surely, to keep us from rendering the kind of technical assistance that Congress has a right to expect from all of us and certainly, from our Department.

Senator HATFIELD. Well, I certainly hope not because I find it difficult—let me just give you a little context in history. In 37 out of the last 38 years, the Senate Appropriations Committee has appropriated less than the President asked for. So it's not a question of necessarily always overappropriating or going over the President's request. I think the track record here on the Senate side has been rather a conservative one.

But I do feel that if you were the Chief of the Corps of Engineers and I should say to the Chief of the Corps of Engineers, on project A, you have a budget request of $150 million. Now in the authorization and in the budget up to this point, we expect to complete that project by 1984. And then I ask what is your capability?

Secretary BELL. Yes.

Senator HATFIELD. And his capability is $250 million rather than $150 million, in order to keep on schedule, under the working of that memorandum, he couldn't tell me that. And that would be something that I would think would be denying us the tools we have to hammer out these appropriations bills and processes, and I would hate to think that any data—now if you come up here and do other than represent the administration, if I were the President, I'd get rid of you.

Secretary BELL. I should say.

PROFESSIONAL OPINION UNDER CIRCULAR A-10

Senator HATFIELD. But at the same time, I do think that there has to be a professional—you're part of the administration, but you're a professional educator. And there are times when I would ask you to take off your administration hat where you're here to defend the administration and advocate the administration's budget, but put on your professional hat and tell me what you think the impact is on elementary education or on something on a projection of what kind of support base, and I would want to get some information from you as a professional educator.

Secretary BELL. Yes.

Senator HATFIELD. That's all I have to say.

Secretary BELL. I guess I need to read that memo again. I didn't feel that it muzzled us to that extent. I did feel that it said, and properly so, that we ought not to be waxing with enthusiasm to leading questions about how much good we could do with how much more money. [Laughter.]

Ms. CHRISTENSEN. Mr. Chairman, in fact, a memo did have a proviso in it that you can take off your hat, but make it clear that you were doing that, and give your professional opinion.

Senator HATFIELD. Not the copy I saw.

Ms. CHRISTENSEN. The letter that I saw.

Senator HATFIELD. A-10, memorandum A-10, designed by Mr. David Stockman. And then under the Department of Energy, which was reissued with a little more explanation. It's been a very interesting little exercise. Anyway, I'd like to have you go back and read it because I don't see anywhere in Mr. Stockman's letter where you can take your hat off.

Ms. CHRISTENSEN. I'll get a copy of the one that we have and supply it for the record.

Senator HATFIELD. All right. I'd like to have you send us a copy of the one—would you do that?—that you got from Mr. Stockman.

Secretary BELL. I hope we're both reading the same language. I presume we are because it is A-10.

Senator HATFIELD. I'd like to see a copy of the one that you got from Mr. Stockman. I've seen the one that was sent to other departments and there was no such exemption or hat-changing phrase.

[The information follows:]

RESPONSIBILITIES FOR BUDGET DISCLOSURE

Excerpt from issuance by U.S. Office of Personnel Management, February 18, 1982: "Do not volunteer personal opinions unless requested, and if such opinions are inconsistent with the President's recommendations, the witness should make clear the opinions do not constitute a request for change or for additional funds."

Excerpt from OMB circular A-10, revised, November 12, 1976: "d. In responding to specific questions on program and appropriation requests, witnesses will make clear the extent to which testimony reflects personal opinion, and that such opinion does not constitute a Presidential request for increased or decreased funds. Witnesses, typically, bear responsibility for the conduct of one or a few programs, whereas the President must weigh carefully all of the needs of the Federal Government, compare them against each other and against the revenues available to meet such needs. Where appropriate, witnesses should call attention to this difference in scope of responsibility."

TRANSITION PERIOD

Senator HATFIELD. Now, Mr. Secretary, given the establishment of the new Education Consolidation Improvement Act, are there, in your opinion, any transition funding problems?

Secretary BELL. Well, I'd hate to say that there are none and be so expansive and confident that I'd miss some serious points. We have been in constant contact with the chief State school officers. In fact, they were in town the week before last. We met with them and we spent a lot of time on the new block grants. We think we are in good shape to handle the transition.

Where the problems may arise is in the area of State priorities and where they elect to exercise their discretion. The exercise of that discretion may lead to an occasion for some who think highly of a program and find that the State chose not to fund it. In some instances, there may be programs out there that they choose not to fund that will, therefore, be ended at that point.

But, of course, the intent of the legislation was to hand that discretion to the States. To that extent, then, Mr. Chairman, I think there may be some transitional difficulties. I don't think they will be administrative. They may be in program choice and program continuity.

Senator HATFIELD. Well, let me take a specific example and see what you think is going to happen. Let's take the cities and schools program, which, again, is not one of those forward-funded budgets, as you know.

Secretary BELL. Yes.

Senator HATFIELD. And will now be in the education block grant. Will it be caught in transition funding problems, do you anticipate at all, in that particular situation where it's forward-funded, or not forward-funded?

Secretary BELL. I don't think it would. A lot of it might have to do with the appropriation process and how early in the fiscal year the State education agencies and the schools would know definitely what funds they have. They're accustomed to working with money that they get appropriated by legislatures, and State legislatures, as you know from your own experience as a Governor, I'm sure, get their appropriations out before the fiscal year starts, usually.

Eighty percent of the money in the block grant will flow on a formula directly, as you recall from the statute, to the local education agency after July 1, and the local school board and the superintendent will have discretion in the cities and schools program to utilize that money for that purpose, if it's a high enough priority for them.

In addition to that, out of the 20 percent that is at the discretion of the State department of education, they can make categorical grants to the local education agencies if they want to in this program area.

There may be, as you think of the appropriation process, some transition uncertainty if we move, as we do, with the appropriation over into the fiscal year and we start operating on a continuing resolution.

Senator HATFIELD. Now I'm not getting into, again, a figure or in any way talking about a higher level, bottom line figure, but do you think that there would be any wisdom in establishing a transition account to handle such matters that may not be foreseeable at the moment?

Secretary BELL. I haven't thought so, but I wouldn't want that response to indicate in any way a closed mind about it. I'd surely be willing to consider and discuss it further.

Senator HATFIELD. Would you review that within your staff, look at some of these programs that are going to be hybrids, in a sense, where they have not been forward-funded, and yet, they've been caught up in block grants? Cities and schools may be the only one. I don't know. That's the one that comes to mind.

Secretary BELL. Yes; and one of the very good programs, incidentally.

Senator HATFIELD. And one of the excellent programs that I don't think we want to see in any way crippled or hampered in its forward motion.

Secretary BELL. We'll review that and maybe get back.

Senator HATFIELD. Would you? There may be some way that we could work in some kind of an account or funding as an emergency to handle such unforeseen circumstances.

Secretary BELL. Yes.

[The information follows:]

TRANSITION FUNDING

The administration is not requesting any funds for the transition period for those programs consolidated into the block grant. All of the categorical programs except parts of basic skills and career education and all of cities and schools are supported on a forward- or advance-funded cycle. In other words, the funds appropriated in one year are awarded by the Federal Government in that fiscal year but used by the State and local programs mostly during the following year. Those programs which are on a current funding cycle may rely on other sources of support, and we expect most of them to continue to do so, until block grant funds are available in July 1982. At that time the State agencies and local school districts can decide whether or not to support the program or the local school district can try and obtain other sources of funding. To the extent these programs have addressed local needs successfully, we would expect them to be continued with State, local or private sources, or with block grant funds.

It should be noted that the basic skills and career education projects are supported on a current funded basis but operate largely on a forward funded basis using carryover funds from the prior year (as authorized by the Tydings amendment) before using newly appropriated funds. Both of these programs have been operating since October 1981 on this basis.

LABORATORIES AND CENTERS

Senator HATFIELD. I was talking with you recently about some of the labs and centers that have become rather controversial over the years.

Secretary BELL. Yes.

Senator HATFIELD. And their current situation is a question on the length of contract with some of these centers and the grants.

Some, at least, have expressed pretty strong viewpoints that there is a 5-year legally binding contract, of which the labs and centers are now in their third year. When the NIE Director, Mr. Curran, appeared before this committee recently, I believe he informed Senator Specter, who was acting chairman, that he would supply to this committee a copy of the General Counsel's opinion on the labs and centers' length of contract.

Do we have a report on what that opinion says and when can the committee expect to receive a copy of that report?

Secretary BELL. Mr. Curran is here and let me just comment, Mr. Chairman.

Senator HATFIELD. Sure.

Secretary BELL. First of all, we want to honor, obviously, contracts that we have. As I indicated to you in our conversation, in addition to that, we want to be up to talk to you and to touch base with you on what we do, so we're not running off independent of the committee and those programs.

I think it was our understanding, and maybe Mr. Curran can help me, that, first of all, the labs and centers were to be evaluated at the end of 3 years. We thought in the language of the act was an enunciation of a policy to go to competitive bidding procedures.

Whether we're legally bound by a 5-year commitment, I think that may wind up in litigation. Some labs and centers, and I'm sure with competent counsel, have felt that they have had that. Our General Counsel has said otherwise.

Maybe I am commenting too far and not asking you to comment, Mr. Curran.

Mr. CURRAN. I am delighted. Senator Hatfield, Senator Specter did, indeed, ask me that question and was told that we did have written opinion from counsel. General Counsel's interpretation is that the contractual agreement covers a 3-year period expiring in November 1982. I have been in close contact with the General Counsel, as the Secretary mentioned, for the last couple of weeks to get authorization to forward that opinion to this committee. Since NIE's appropriation hearing, the Director of the Northwest Regional Educational Laboratory in Oregon, Bob Rath, has written me a note protesting our present course. General Counsel advised me today that, because the Northwest Lab has questioned that policy, there may be some questions that are open to interpretation, and therefore, he advised me at this time not to submit that to the committee. However, because I got this information so very recently, I suggested to him that it might be good for him and for me to talk with Senator Specter about his concern and maybe convey some information to the committee. I just got this word today.

COMPETITIVE BIDDING FOR LABS AND CENTERS

Senator HATFIELD. Mr. Curran, what happens to labs and centers that do not agree to phase out voluntarily, as I understand you put it, in their 5-year contract, a year earlier as you requested?

Mr. CURRAN. Senator, when I was here earlier in my own hearing, I had at that time spoken with only one of the directors of the 17 labs and centers. Since that time I have spoken to more than two-thirds. What we have assured them is that during the third year, in other words, after fiscal year 1983, if NIE receives its full appropriation at level funding, that, in fact, the labs and centers would have level funding for that period of 1983 so that they may be able to respond to the competition.

Our present plan is to have a procurement announcement, RFP's and grants announcements, on the street by this fall so that they can respond to those at the same time they are being funded so that they will not have suffered any setback in that period. We plan to have most of the awards made by the early summer of 1983, to enable them to participate in fiscal year 1984 awards.

They would be level funded, as our plans now state, through fiscal 1983. So far, I might add, I have had very good reception from all the labs. I have not talked to Bob Mattson, Senator, from your State because he has rescheduled this meeting since he is recovering from a heart attack.

Secretary BELL. I might just say, Mr. Chairman, that we may want to review further with you and others what we felt congressional policy was on this. We felt the expression in the 1981 Reconciliation Act was a change in congressional policy, and that it, in effect, said upon completion of the current awards, that future funding for labs and centers should be a Government-wide competitive procedure, using these peer review principles.

There has been a lot of discussion and debate about this. I'm wondering if we are reading that the same way it's being read here on the Hill? What we want to do is to carry out our responsibilities as effectively as we can and in a cooperative way with all of you up here to the extent that we can.

I've not had a chance to discuss this with your staff, for example, and I don't know if we're reading in that a mandate that's different from what you read. Maybe we ought to get some conversation going on that. Maybe we should have done that sooner.

Senator HATFIELD. My staff and I would be very happy to be available to you and your staff to work out some clarification if there's a question of legislative intent or legislative history that we could provide. We would be very happy to do that.

SUMMARY AND CONCLUSION

Well, this has been an endurance test for you today. I understand that you have been here since 1 o'clock. I have great admiration for your endurance.

Mr. Secretary, I know that you wrestle with these matters. Being a professional educator, you probably have even a greater understanding of the impact and implication of some of these policy decisions that are being made——

Secretary BELL. I surely do.

Senator HATFIELD [continuing]. Than many of us here on the committee. And I know they're difficult for you. They're difficult for all of us. I suppose there are many of these priorities that we don't always have control over that we have to work within the context of priorities being placed by others in the administration, other committees on the Hill.

Secretary BELL. Right.

Senator HATFIELD. I can't always help but repeat, and I know it's redundant at times, but I think it's so illustrative of some of the misplaced priorities, as I see them today, and that is that I understand, and I've used it before, that a modern day M-1 tank takes 4 gallons of fuel to drive 1 mile. But a bookmobile with 7,000 volumes can get 4 miles to 1 gallon.

Secretary BELL. Yes.

Senator HATFIELD. I think the cost effectiveness there is a factor that we might consider as well as the subject matter that is being compared or constrasted. Would that we had the wisdom of Solomon to see this in the totality of the Nation's needs and our budgetary restrictions and monetary problems.

But I appreciate very much your excellent cooperation. I've always found you most helpful. I will ask you for the record, on behalf of Senator Specter, to respond to some questions that he has submitted in writing.

Secretary BELL. Very good, Mr. Chairman.

Senator HATFIELD. Senator Schmitt would like to have another hearing with you later in the month that will be at a mutually convenient time.

Secretary BELL. We'll be pleased to adjust our calendar on that.

[CLERK'S NOTE.—Material provided by the Department of Education concerning student financial assistance is available for review in the subcommittee files.]

SUBCOMMITTEE RECESS

Senator HATFIELD. Until then, our subcommittee will recess until Tuesday, the 20th, when we will meet in this same room at 2 p.m., to discuss with Secretary of Labor, Raymond Donovan, the Department of Labor's fiscal 1983 request.

Secretary BELL. Thank you, Mr. Chairman.

Senator HATFIELD. Thank you.

[Whereupon, at 4:40 p.m., Thursday, April 15, the subcommittee recessed, to reconvene at 2 p.m, on Tuesday, April 20.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

THURSDAY, APRIL 29, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 1:10 p.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Harrison Schmitt (chairman) presiding.

Present: Senators Schmitt and Byrd.

DEPARTMENT OF EDUCATION

STATEMENT OF TERREL BELL, SECRETARY

ACCOMPANIED BY:
- GARY JONES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION
- WILLIAM DINGELDEIN, DEPUTY DIRECTOR FOR BUDGET SERVICE
- ED ELMENDORF, DEPUTY ASSISTANT SECRETARY FOR STUDENT FINANCIAL AID
- SALLY CHRISTENSEN, DIRECTOR OF BUDGET SERVICES
- THOMAS SKELLY, DIRECTOR OF BUDGET SYSTEMS DIVISION

SUBCOMMITTEE PROCEDURE

Senator SCHMITT. The hearing will come to order.

I am pleased this afternoon to welcome back Secretary Bell, the Secretary of Education. Secretary Bell appeared before our subcommittee on April 15 and has graciously agreed to return today to complete his testimony on the administration's fiscal 1983 budget request for the Department.

I'm afraid it was largely my fault, but I'll have to give you a little bit of the blame, that we didn't get finished last time because you and I have to learn to control our philosophical impulses, Mr. Secretary.

Secretary BELL. We'll work for more brevity this afternoon.

Senator SCHMITT. Yes, sir.

If you believe that, why, we'll both go to the Moon and start a ski area. [Laughter.]

Our earlier hearing with Secretary Bell focused primarily on general policy matters in the administration proposal for dealing with the

Foundation for Education Assistance. In our hearing today we'll discuss specific programmatic issues.

INTRODUCTION OF ASSOCIATES

Secretary Bell, if you will introduce your staff, and unless you have some opening comments, we'll proceed.

Secretary BELL. I don't have any opening comments, but I'm pleased to introduce on my right Dr. Gary Jones, who is Deputy Under Secretary for Planning, Budget and Evaluation; William Dingeldein, who is Deputy Director for Budget Service; Dr. Ed Elmendorf, who is the Deputy Assistant Secretary for Student Financial Aid; on my right is Mrs. Sally Christensen, whom you know, who is our Director of Budget Service; and Thomas Skelly, who is Director of the Budget Systems Division of our office.

We're pleased to be here and happy to respond to questions.

PROPOSED 1982 RESCISSIONS

Senator SCHMITT. Thank you, Mr. Secretary. As you know, April was the deadline for congressional action on the President's proposed 1982 rescissions, which for the Department of Education amounted to $1.1 billion. You also know that Congress took no affirmative action on these rescissions. By the way, we don't take any blame for that over here—we have to get the bills through the other House.

And now that the deadline for action on rescissions has passed, what plans does the Department have to release the appropriated funds?

Secretary BELL. We're sorry that Congress didn't approve our rescissions. That's $1.1 billion more that we have to worry about in trying to keep our spending down. But OMB released the funds, and last Monday the funds were allotted to our program offices, particularly library services, which has been a source of contention. We've been in touch, the money is now flowing and we have regretfully accepted the failure of the Congress to act on this. The freeze on the rescission level has been lifted.

LIBRARY SERVICES COURT SUIT

Senator SCHMITT. Do you expect the States that have filed suit in this library services area to terminate their activities in the courts?

Secretary BELL. I would hope that they would. We've analyzed our position quite carefully and have felt that what we did was lawful. I'm hopeful that they'll drop their legal action.

COMMISSION ON EXCELLENCE

Senator SCHMITT. What progress has been made by the Commission on Excellence in Education?

Secretary BELL. We've had a very lively Commission, Mr. Chairman. They've had a series of meetings. They've had public hearings. They concentrated on science, mathematics, and technology in a hearing at Stanford University that was attended by a large group. They've received a lot of expert testimony.

They've also had a hearing on literacy and foreign languages. There are some other hearings coming up. For example, in 2 weeks they'll hold a hearing on teacher education. They're gathering a number of research papers on related subjects. The Commission, incidentally, will be meeting in this city on May 25.

I've been pleased with the fact that the Commission members individually have been extremely active, as the Commission has been. What's even more important is there's a great amount of attention from the education community on the activities of this Commission. We anticipate that the Commission's final report will be phrased so as to present practical recommendations for action to be taken by educators, by public officials, governing boards, parents, and others who have an interest in and influence on education.

I don't want to brag too much about it, but we think that the prospects of the Commission making a very profound impact upon American education will help us to gain more support, more confidence, and a renewed spirit of optimism about education. All of that we feel is quite positive. We're optimistic about the work of the Commission.

Senator SCHMITT. How much will you spend on the Commission in fiscal 1982 from all sources?

Secretary BELL. We have out of the Secretary's discretionary fund $300,000 allocated to this. There's another $260,000 in our existing salaries and expense money that's covering travel, printing, mail, and those types of activities. It isn't a large dollar amount. It's a total for this year of around $560,000 from those two sources.

PRESCHOOL EDUCATION

Senator SCHMITT. Mr. Secretary, is the Commission looking at the preschool education environment?

Secretary BELL. They are.

Senator SCHMITT. By specific hearing or just overall?

Secretary BELL. I understand they're going to have a specific hearing on this. I'm not certain, but I know at one time when they were talking about it they were discussing a specific hearing on it. It's really in that preschool area that we need a lot more attention than we've had up to the present time.

Senator SCHMITT. Would you specifically be encouraging the Commission to examine the impact of video-programing on the preschool environment in the mental development of young people?

Secretary BELL. We've not directed them to do that, but knowing what a great impact it does have on all age groups of learners, I think it would be an appropriate area for them to investigate.

Senator SCHMITT. Well, I hope you will because that's the dominant influence in the preschool environment right now.

Secretary BELL. It is.

Senator Schmitt. I'm surprised that it has not been culled out specifically.

Secretary Bell. I know they're concerned about preschool. The specific matter of the video impact I'm not——

Senator Schmitt. There's a tendency to think that preschool is some kind of organized educational activity.

Secretary Bell. Right.

Senator Schmitt. And unfortunately most of a young person's experiences are unorganized assimilation and reaction to the environment around the young person.

Secretary Bell. Yes; they're casual and nonscheduled learners in the environment around the home.

Senator Schmitt. Most video programing that young people are exposed to is nonreactive. It is a passive environment. And the problems of the mind over several years of exposure to this is going to be quite different than one young person who, let's say, is living among the elements, reacting to—not only absorbing, but reacting to the normal human environment.

Secretary Bell. Yes.

Senator Schmitt. I'm not saying that there cannot be interactive television developed that could be tremendously influential in positive ways in the development of young people. But the vast majority of it is not.

Secretary Bell. My observation is certainly so.

PUBLIC BROADCASTING

Senator Schmitt. Has the public broadcasting community been involved at all in the deliberations of the Commission?

Secretary Bell. We have talked to the people at CPB about their planning and programing. I'm sure there will be an interface there.

Also, incidentally, the National Science Foundation has a commission that's specifically studying mathematics and science, and we have already had a tie-in and an interface there. So we hope with both entities that we'll have a cooperative interrelationship of their deliberations and their planning.

Senator Schmitt. Well, I'm afraid unless public broadcasting decides to take on a reason for existence such as the quality of preschool education for young people that they're going to see a continued erosion of their support here in the Congress for activities which now seem to be just an attempt to provide better quality programing for adults.

Secretary Bell. Yes.

Senator Schmitt. I don't think they can compete in that field any more. They were tremendously influential and valuable to have in the early days of television, but with cable television and the potential of direct broadcast, satellites and other sources of quality programing for limited audiences that pays for itself, it becomes a very, very difficult task for public television to compete and to hold support in the Congress.

Secretary Bell. When we first got started in public television we used the term "educational television." I hope that we won't lose sight of that, but I think that's what the chairman is also saying. I think we ought to be getting back to that strongly.

Senator SCHMITT. I hope that you will try to develop an immediate and strong relationship with public television because I believe it can serve an extremely important function in our society. But I find as I try to develop support for it here in the Congress that that support is eroding, and I think for the reasons that I've described.

Secretary BELL. They should not feel that their calling is to compete with the networks for audience appeal.

EFFECT OF TITLE I REDUCTIONS

Senator SCHMITT. Let me come to this again. It suddenly reminds me, you said that the Commission had met on excellence in mathematics and science. But I also understand that in the cutbacks of the title I funding that at least in New Mexico it appears that science, or at least mathematics education, is the first thing to be cut if title I funding was involved.

Do you sense that nationwide, and, if so, what do we do about it?

Secretary BELL. It shouldn't be. Mathematics and reading on the elementary school level in my view are the two essential skills. With the reduction in title I funding they shouldn't pick the two highest priority subject areas for cutback.

Senator SCHMITT. But what they're saying is reading and mathematics is what they were doing, and now they have to focus on reading as the number one priority.

Secretary BELL. Well, they may be trying to influence the chairman to up our budget——

Senator SCHMITT. I don't think they were trying to do that.

Secretary Bell. I'd really be surprised, Mr. Chairman, if they cut out special compensatory instruction in mathematics and in reading, because it's the heart of the program.

Now I don't think—when you're not operating tongue-in-cheek—that the educators of this country, especially the school leaders, are going to do that.

Senator SCHMITT. Well, you might talk to my good friend, Frank Sanchez, who is on your Commission on Excellence and who is superintendent of the Albuquerque school systems, and I think he'll tell you that's exactly what they felt they had to do.

Secretary BELL. That surprises me because I'm sure he wouldn't probably be the chairman that way.

Senator SCHMITT. I don't think he wants to do it. But they really, in the title I area, feel that reading has to be maintained.

Secretary BELL. That implies that we're down to where we can only cover one subject area with what's happening in title I. I happen to know that there are a whole host of other low-priority programs in the affective domain that could go. We could stick with the basics under our proposal. So I'd be pleased to talk to Superintendent Sanchez. I'll have an opportunity to do that.

Senator SCHMITT. You might discuss it with him and see if my impression is correct at the local school level.

Secretary Bell. He's a great school man.

Senator Schmitt. Plus I believe there was a quote attributed to him in one of the local newspapers.

Secretary Bell. I'll have a conversation with him.

Senator Schmitt. And if you could supply for our record, if we do not have it—if we do I'll ask the staff to make it available to me—some detail on what you think on a national basis the title I priorities should be when faced with the question of establishment of those priorities due to budgetary reductions.

Secretary Bell. We'd be pleased to do that. There are other areas that these reductions could be taken in without hitting mathematics, of all things.

[The information follows:]

Title I Priorities

The following shows a breakout by priority of the type of services provided under title I during the 1979–80 school year. Note, that in many cases a student who receives instruction services in one area such as reading may also receive instruction in another such as mathematics as well as receive other support services for health and nutrition, etc.

TITLE I PARTICIPANTS BY SERVICE TYPE DURING SCHOOL YEAR 1979–80

Type of service	Number	Percent
Instruction:		
Reading	4,197,336	78
Mathematics	2,483,044	46
Language Arts	1,053,144	19
Other	1,039,651	19
Limited English	374,590	7
Vocational	5,571	
Special for Handicapped	9,084	
Support:		
Health, Nutrition	1,518,798	28
Attendance and guidance	792,615	15
Other	421,070	8
Transportation	138,148	3
Total number served	5,402,311	

In terms of funding, school districts use about 75 percent of their title I funds to support compensatory instructional services, focused largely on basic skills. About 20 percent of their funds are used to cover fixed charges, operation and maintenance of physical plant, and capital outlay. The remaining 5 percent goes for auxiliary services such as health and counseling services.

Priority given to the type of services provided at the school district level is a local decision. However, the data show that primary emphasis has traditionally been on providing instruction in reading and mathematics. We see no reason why this should change for fiscal 1983.

UNDER SECRETARY VACANCY

Senator Schmitt. Mr. Secretary, as you are aware, we and others in the Congress who deal with education programs felt we had a good working relationship with your former Under Secretary, Bill Clohan. I presume that you will fill this position soon and that the individual selected will be looked at as having also worked with the Congress as well as within the Department.

Secretary BELL. Yes; we're in that process now. I think very soon, maybe within the next 10 days to 2 weeks, we'll be ready to announce our decision. I've been in contact with my colleagues at the White House. We're working right ahead on that.

Senator SCHMITT. Do you expect to restructure the duties of the office?

Secretary BELL. I don't believe there will be any significant restructuring of the Under Secretary's duties. We want to select someone who can handle those responsibilities largely as we've outlined them at the present time.

MIGRANT STUDENT ASSISTANCE

Senator SCHMITT. Mr. Secretary, your rationale for eliminating the Migrant High School Equivalency program and the Migrant College Assistance program is based on the fact that other programs within the Department serve the same groups but at a lower cost. Specifically cited are the adult education program providing high school equivalency and special services for the disadvantaged providing some college preparatory services. Yet you failed to mention that you're proposing to fold the adult education program into a vocational education block grant accompanied by large funding cuts and are proposing to cut special programs for the disadvantaged by 50 percent for school year 1983.

Would you please give us the evidence that you have to indicate that migrant youngsters will receive high school equivalency and college assistance under the other Department of Education programs?

Secretary BELL. First of all I would emphasize that migrant students wishing to attend postsecondary institutions will, because of their relatively low income levels, be likely to qualify for assistance under virtually every one of our higher education student aid programs. It would be expected, for example, that most of them would be eligible to qualify for the maximum Pell grant award.

In addition to the assistance they receive from their postsecondary education, the adult education program, a program funded 43 percent by local and State moneys, will assist migrant students in acquiring the basic skills that relate to the achievement of a high school equivalency certificate. Incidentally, we received these two small programs from the Labor Department when the Department of Education was established. They do not involve large dollar amounts when considered in this total budget equation. We also believe that some aspects of the TRIO program can be utilized by migrant students. Given the total fiscal picture that we are faced with, and the necessity of making difficult choices to reduce some program funds, we think that the proposals we have offered will continue to insure that migrant students will be assisted in the pursuit of their high school and college education.

ADDITIONAL ASSISTANCE TO MIGRANTS

Senator SCHMITT. Well, do you know whether any migrant young people currently avail themselves of assistance beyond that that are in these programs that you expect them to use now?

Secretary Bell. Although I have no information immediately available to document the fact, I know that migrant students and adults have been participating in adult education programs. Dr. Elmendorf might know something about the extent to which migrant higher education students are in the student aid program.

I don't know if you have a breakdown on that.

Dr. Elmendorf. I don't, but as I said before, most of the migrant student population is shown as enrolled in the community college sector. As the Secretary has correctly stated, a large portion of the Pell grant dollars do go to that sector.

Senator Schmitt. Of other program dollars?

Dr. Elmendorf. Of the Pell grant program dollars, yes, sir.

Secretary Bell. Most institutions also give first priority to low-income students under the National Direct Student Loan program. Although we've proposed no funding for new capital contribution to that program, there is an estimated $430 million in institutional revolving funds that will be available for institutions to loan. Migrant students, given their relatively low-income levels, could apply for NDSL assistance in addition to the $1,600 Pell grant. Given the low cost of attendance at community colleges in particular, we think these students will have a sufficient amount of support from these combined sources.

MINORITY INSTITUTIONS

Senator Schmitt. We've talked before, I believe, Mr. Secretary, about the difficulty of being even-handed in the educational systems to various institutions that are either designated minority or by demographics or tradition are predominently minority. The black community is particularly served by the developing institutions program as well as some other specific emphasis. The other minorities—for example, Catholic minorities are served by private education systems to some significant degree, and also in the Southwestern States, particularly New Mexico, the Hispanic minority is served by the State institutions, which tend to be dominant.

And it has been difficult for any administration, and in fact difficult for the Congress, to really decide how to be even-handed in this kind of assistance work. Similar kinds of problems may exist. Migrant education has tended to assist many of these minority institutions in a sense and has been a source of funding for students within them.

Secretary Bell. Right.

Senator Schmitt. Will that in any way be undermined by the decisions you've made?

Secretary Bell. One of the things that will tend to keep the flow of assistance to minority institutions from being undermined is the fact that migrant students will, as I said before, be able to qualify for assistance under other student aid programs. In addition to that, as you may recall, the criteria for institutions qualifying for Title III Higher Education Act grants is based on the number of Pell grant recipients that are enrolled on the campus.

The relatively low income of migrant students, their concentration in the community college sector, and the fact that their participation in this sector can trigger, under the new law, a higher score to enable colleges to qualify for a developing institution's grant—all these factors should tend to ameliorate the sharpness of the cuts to this student population.

OUTREACH PROGRAM FOR MIGRANTS

Senator SCHMITT. Is there an outreach program associated, or has there been one associated with the migrant college assistance program?

Secretary BELL. I'd need to call on one of my colleagues for that information.

Do you know, Ms. Christensen?

Ms. CHRISTENSEN. No; not that I know of. There may be programs located in a few institutions in the southwest portion of the country.

Senator SCHMITT. But it has been dependent on the migrant youngster or his or her parents to know about the program in order to take advantage of it?

Ms. CHRISTENSEN. Yes; but the institutions have been providing assistance in similar kinds of programs like those supported under TRIO. Many of the institutions have been getting the information out to all students, including migrant students. This overlap of assistance was one of our rationales for this.

PROJECTIONS FOR LANGUAGE MINORITIES

Senator SCHMITT. At the last hearing I asked about projections for the number of language minority students in the year 2000 which the Congressional Research Service reported will increase by 40 percent although the general school age population would increase by only 16 percent. We checked our sources and CRS indicated that the information was obtained from officials in the Department of Education, Office on Bilingual and Minority Language Affairs.

Since the fiscal year 1983 budget would serve 58,000 fewer children in bilingual classes, a reduction of 27 percent below the current participation level, what other assistance would be available to States who need to plan for and serve a growing non-English speaking population assuming that they were unwilling to provide or unable to provide their own resources for it?

Secretary BELL. I'd like to refer that question to Dr. Jones, if I may, and maybe he can talk a little more specifically about the bilingual population that he's quite knowledgeable about.

Dr. JONES. First of all, from the standpoint of funding, we don't at the Federal level provide support for all these students now, as you well know, Mr. Chairman. What we do provide is money for some students, for those school districts that apply for Federal dollars.

As to where they would find additional money in the out years, they would seek money from the same sources they do now. They would have the local school board determine the priorities within the school system and determine how they wish to allocate their dollars based upon the priorities within the school system. If the limited-English-proficient children are a high priority in that school system, they will allocate the dollars necessary to cover those programs.

The number of limited-English-proficient children we believe constitute the target of this program will increase by 36 percent, but the numbers can sometimes be misleading. Our priority target population under our suggested legislative amendments is about 1.2 million children. By the year 2000 we estimate this population may increase to 1.5 million.

While that is a large increase, about 300,000 students, the Census Bureau only expects the age group 1 to 24 to increase by some 3 percent between now and the year 2000. We need to keep that in mind as we assess what growth patterns there may be in different types of programs at the elementary and secondary level.

BILINGUAL PROGRAM

Senator SCHMITT. Mr. Secretary, do you think that we are now focused in the bilingual program overall on assuring that there is English proficiency achieved at the earliest possible age within a school system while simultaneously trying to encourage the maintenance of a bilingual capacity?

Secretary BELL. I think that we are rapidly reaching that condition. I think we've successfully gotten attention for the fact that the program and the program funds that Congress has been appropriating must give first priority to teaching English proficiency so that these youngsters can do well in school.

I think we're coming along quite well in concentrating more on that, in encouraging concentration of our resources on the target population, those that are in the greatest need, and not spending so much of our resources on activities that don't give high priority to teaching English proficiency as early as possible.

ENGLISH AS A SECOND LANGUAGE

Senator SCHMITT. An alternative proposed bilingual instruction is the English as a second language program. Do you have any data on the success of English as a second language program as compared to bilingual programs where subjects are taught in the students' native language, at least initially?

Secretary BELL. It is not a widely used approach. The school systems that have been successful with ESL are few in number, but it is well-proven that you can be successful with the ESL approach.

In fact, a suburban school system here close to our Nation's capitol, Fairfax County, was required to prove that to our predecessors in the Department of Education. They have demonstrated that you can be very successful with an ESL approach.

I couldn't just say yes, ESL has been highly successful, nor do we have enough information to summarize the amount of success and the amount of failure of the program. But in certain school districts, we have a high level of confidence in the ESL method.

Our proposed changes in both the regulations and the legislation try to make it possible for a school system to choose rather than our legislating or mandating through our administrative activities one exclusive approach.

NONPROFICIENT ENGLISH-SPEAKING

Senator SCHMITT. Our school districts in which there is a significant proportion of English-speaking but nonproficient students such as those that are apparently running into a problem in our inner cities with the English dialect, are they eligible for bilingual instruction?

Secretary BELL. They need to be students who largely have grown up with another language. The various offshoots of the English dialect would not be eligible languages.

Senator SCHMITT. English proficiency instruction there would be dependent on other types of approaches besides the bilingual.

Secretary BELL. That ought to be the regular English program. Some can say with some humor and credibility, there are many of us that lack English proficiency. But we specifically want to target these resources on these youngsters who are limited-English-proficient owing to the fact that they grew up with another language. They need to master the so-called mother tongue of this country.

Senator SCHMITT. Well, would you agree the difference is one of degree and not of time, in terms of other problems that develop, particularly I think within the inner cities.

Secretary BELL. Oh, I do agree with that, but I think we should not be using our title VII moneys on those who are just deficient in English, who grew up in an English-speaking home. That's the purpose of English instruction.

LANGUAGE MINORITY STUDENTS

Senator SCHMITT. Are the growth projections for students classified as language minority students based on the assumption that a child born to language minority parents will enter the school system with an inadequate proficiency in English?

Secretary BELL. Dr. Jones?

Dr. JONES. First of all, the non-English background population is not necessarily limited-English-proficient. These assessments are difficult when we're talking about children who are not yet born. Ten years from now, will this child from a non-English home be a limited-English-proficient child under our definition of title VII or not?

Basically we're talking about students who use a language other than English as their usual language, not the family. That's the basis of the difference in our population figures.

In other words, you can draw an estimate, based on the families, whether their usual language is English, or you can base an estimate on whether the child's usual language is English. Previously, many estimates were drawn on the family's language as opposed to the child's.

So a child may attend school and speak English, but if researchers have been testing or evaluating the child's language based upon what is spoken in the home, then that child may be counted as a limited-

English-proficient child when in fact it's the family that may be limited in the home but not the child.

IN-HOME USE OF ENGLISH

Senator SCHMITT. Have there been any recent studies conducted to see what are the trends with respect to in-home use of English in what otherwise might be classified as language minority families?

Dr. JONES. I guess I don't understand the question.

Senator SCHMITT. What I'm getting at is: There's an American perception that in various ways immigrants—that the second generation immigrant, the child of an immigrant family learned English without bilingual education systems, that there was an emphasis in the family to speak English, for the child to learn English.

First of all, was that a valid perception historically, or is it something we would like to believe?

And second, if it is valid, has that changed? Are there now families of language minorities that tend to want to do the other thing, and that is preserve their language, minority language, within the home?

Does anybody know anything about that at all?

Dr. JONES. It is a perception I cannot agree or disagree with. I don't really know. We can check on it.

[The information follows:]

TRENDS IN THE USE OF NON-ENGLISH LANGUAGES IN THE HOME

There are several recent studies of the language characteristics of the U.S. population which demonstrate that the trend is toward greater use of English among language minority communities. This is particularly true with younger members of these communities. In the past many speakers of other languages did not learn English or never acquired proficiency in English. Demands for English proficiency, particularly in the job market. were not so great as they are now. Nevertheless, we believe that language minority parents in general have always insisted that their children learn English. They, more than anyone else, understood the problems of living in an English speaking environment without skills in that language.

Our conclusions on trends in the use of English are based primarily on data from the 1976 "Survey of Income and Education" and the 1980 survey, "High School and Beyond." They are also supported by a variety of other regional studies.

NO SPECIFIC ANSWERS

Dr. JONES. Many of the evaluation studies are simply getting underway in the area of bilingual education, English as a second language, and the total-immersion method. These are studies from which we will be able to gather data as to perceptions, family characteristics and family language usage, and other questions.

But within the data bases we have, I cannot answer that question specifically.

Senator SCHMITT. The proportion of language minorities in our past at various times was probably quite a bit larger than it is today, was it not, as various waves of immigration——

Dr. JONES. As a percentage of the population?

Senator SCHMITT. Yes.

Dr. JONES. That may well be the case.

Secretary BELL. I think the need to master English is more urgent today. Many have said to me, "Why do we have any program here at all? Look at all the immigrants that have come to this country from all of the European nations, and they learned English. We didn't have a bilingual education program around for them, and they did learn English."

But they don't live in this era where you need to learn it, learn it rapidly, and pick up a high level of literacy and competence in communication in the English language if you're going to stay up with your peers, and if you're going to function as you've got to in this country.

Years ago, when society wasn't so complex, you could be more leisurely about this.

Senator SCHMITT. And more labor intensive.

Secretary BELL. I should say, which is a very important point.

Senator SCHMITT. Important because in a labor-intensive society, the language differences are not as critical as in the technologies.

Secretary BELL. That's a point that needs to be emphasized.

IMPACT AID

Senator SCHMITT. Mr. Secretary, the budget you propose in impact aid, $275 million for A payments and no B payments at all represents A payments at 80 percent of the fiscal 1982 levels. Many consider that the fiscal 1982 impact aid appropriation which funded A's at 90 percent of the fiscal year 1981 level falls short of the funds needed for impact aid.

Do you believe that this budget request reflects "the true nature and responsibility" for impact aid?

Secretary BELL. I'd like to ask Ms. Christensen to respond to this. She's our impact aid expert.

Ms. CHRISTENSEN. I would admit that we had a very difficult time in deriving the program totals on some of our requests. We had the total Department budget to look at, and within the context of that budget we had to make our priorities, some of which are very difficult.

I think, obviously, that there will be some impact here, but we are assuming that the States and localities will be able to partially offset some of this by realigning some of their priorities and by eliminating maybe some other, lower priority items, and coming up with other sources of support to offset some of these decreases.

We admit that this was a very, very hard decision to make.

Secretary BELL. I point out, Mr. Chairman, that in States where there's a good school finance equalization formula, the absence of impact aid money is less serious than in States where there isn't, where you levy a required levy of *x* mills, and then based upon that levy, the State equalization formula guarantees the difference between that and what the legislature has determined is an appropriate level of funding for education.

Equalization programs tend to ameliorate the harshness of these cuts. I think it's because of the growth of, and the increasing sophistication of, State financial aid programs that it has been possible to make these reductions.

EFFECT OF IMPACT AID REDUCTIONS

Senator SCHMITT. Have you done any surveys to discover how many school districts have indicated that they will have to charge tuition or simply close, with the amount of funding recommended?

Secretary BELL. A number of school districts have threatened to charge tuition. In our neighboring State of Virginia, for example, there has been a great deal of talk about that. Most State constitutions make that very difficult. Most States assure that every child will have equal access to education.

We don't think there is going to be tuition charged as a result of our impact aid position. We think it might be part of the debate, but we think that the nature of the State guarantee makes it exceedingly difficult for a school system to exclude a youngster who is located inside the corporate boundaries of that school system from attendance without payment of tuition.

We've looked at that and we've looked at various State statutes out of our General Counsel's office. We looked at, in particular, Virginia. The good thing about our States is they provide a guarantee for each child.

Senator SCHMITT. Well, as a consequence of that, whether there's an equalization formula or not, the impact of this change in impact aid will be that the States pick up a greater share of the education burden in the areas where the Federal Government has activities that impose a student load on school systems.

If you have an equalization formula, it merely means that in a particular area, the impact is less, but it's still an impact on the system.

Secretary BELL. Yes; I can see that, Mr. Chairman.

[Pause.]

INDIAN SCHOOL DISTRICTS

Senator SCHMITT. Mr. Secretary, the Labor, Health and Human Services, and Education Subcommittee is concerned about the underserved Indian school districts that may or may not come under this budget. Many Indian school districts have few, if any, resources available to help pay for educational costs in public schools. And even if they do, Indian land, by law and treaties, cannot be attached.

In those States with a lot of Indian land, Federal impact aid payments are particularly important. In New Mexico, under your proposed budget, Federal payments would drop from $22 million to $16.8 million. Of course New Mexico has the State equalization formula which would shift the burden and reduce payments to the State treasury even for these Indian-related education needs.

In communities with Indian lands, the local tax base is already stretched significantly. Many of these New Mexico counties have a very, very poor tax base upon which to impose higher taxes to provide for these education funds and therefore, that imposition will be on the entire State and not just counties.

How do you suggest we explain this?

Secretary BELL. This is difficult. I'm aware of school districts, particularly in New Mexico and Arizona, where this is a particular problem. It highlights the difficulty in administering a law that's applied nationwide, and having it take care of special situations.

I had the leaders from a school system in Arizona in to see me. They don't have quite as good an equalization formula as you have in New Mexico. I'll just say this is going to be difficult to explain. It's one of those situations that deviates from the general circumstance.

LOW TAX BASE AREAS

Senator SCHMITT. Did you consider any means by which certain categories of areas that have a particularly low tax base to support education, or a particularly high number of students to support, would get some exemption or a waiver or a lean ration of this cut?

Secretary BELL. I pondered that. I knew that it would likely take legislation through the authorizing committees, unless something could be worked out by way of appropriation language. I know that appropriations committees get after us about that.

I am aware of the problem. I'm very sensitive to it. Having it described to me, and having come from the West, I can name school systems where this is a particular problem.

Senator SCHMITT. Have you, by any chance, experimented with any language that you think might mitigate this problem?

Secretary BELL. No, I've not, Mr. Chairman.

Senator SCHMITT. Well, we may contact you on that subject as a separate issue.

HANDICAPPED EDUCATION

Mr. Secretary, the committee shares your desire to reduce the Federal paperwork and administrative requirements within the education programs. One of your stated reasons for proposing a new block grant for handicapped education was to help reduce the Federal burden of this kind on the State and local school districts.

In what ways do you feel that the present Education for the Handicapped Act has too many administrative requirements? As you say here:

> My own State of New Mexico anticipated the difficulty and is the only State that declined to participate in that program and instead established their own State program under basically the same general guidelines. And that seems to be working quite well.

Secretary BELL. New Mexico has been our only holdout out of the 50 States, Mr. Chairman.

Senator SCHMITT. Under the previous administration, we had to undergo quite a bit of attempted coercion and intimidation before we were able to establish that principle.

Secretary BELL. Right.

We are working on new regulations. I spent some time this morning on them in my office. In addition to that, we're proposing changes in the law where we think we've placed quite a burden of detail. I feel that we can——

Senator SCHMITT. Have you specifically looked at New Mexico's experience, because basically they've been operating a block grant without the funds. Have you looked at what they've done in order to——

Secretary BELL. Yes. I'm not familiar with the detail of it, but I know from the fact that there have not been significantly more complaints filed with our office of civil rights for New Mexico compared with other States that New Mexico has been doing a pretty good job of meeting their needs with their own resources.

There is just an enormous amount of detail in the statute that we think we could reduce or delete without taking away the rights of handicapped children.

When the statute was passed, I was here as Commissioner of Education, testifying when that bill was presented. When testimony was given, one after another witness, and data were presented that indicated that handicapped children's rights were indeed being violated in a number of places around the country.

I think in our eagerness to meet this problem that we went further than we needed to. We think, with our proposed legislation and our changes in the regulations, that we'll have a program that even New Mexico wouldn't mind participating in.

Senator SCHMITT. One moment, please.

[Pause.]

GAO SPECIAL EDUCATION REPORT

Senator SCHMITT. Last September, Mr. Secretary, the General Accounting Office issued a report entitled "Disparity Still Exists in Who Gets Special Education." This report indicated that:

> There appears to be a focus of a disproportionate share of minority children in some special education programs, and also overclassification of males, particularly in classes for the emotionally disturbed and learning disabled.

GAO also noticed that no serious investigation had been done to study the nature and extent of impact of overlap between ESEA title I and title VII, which is bilingual education, and Public Law 94–142, handicapped State grants.

Do you agree with these findings in general? If you do, what do you believe are the causes?

Secretary BELL. I would agree with some of the findings. I would indicate that it isn't accurate to presume that handicapping conditions are spread equally among various segments of the population. Children who grow up in poverty don't have the nutrition, they don't have the medical care, they don't have the kind of environment—indeed, they don't even have the kind of safety protection that keep them from being subject to accidents and attack by disease, and so on.

Therefore, we ought to expect that there would be more handicapped children within the low-income and minority populations at the present time.

Now the difference between——

Senator SCHMITT. Do you have any statistics to back that statement up, other than the enrollment in the program?

Secretary BELL. I don't have nationwide statistics.

Senator SCHMITT. It sounds like it makes commonsense, but I was just wondering whether it was a factual statement.

Secretary BELL. I'm drawing on my own experience. I've been a superintendent of schools for many years. I know where I had to place the special education programs. They were over on the west side of the school system where the low-income children were, the ratio was two to one what you'd have in some of the more wealthy, high east end school systems in the area where I lived.

I think that the differences in who is served are widely recognized. For the GAO to come in and say, "Well, we're classifying too many minority and low-income children as handicapped," like there was some kind of bias or slant there, shows I think that they don't recognize these other factors.

Senator SCHMITT. You don't think any of them have ever been a superintendent of schools?

Secretary BELL. It may be that some have not. They may have been the ones that conducted the study.

You can do the same thing with achievement. You can take an area where you're a stranger, and drive through and look at the homes and look at the residential area. Accordingly, you can predict a lot of where the achievement is going to be.

MORE MALES CLASSIFIED AS HANDICAPPED

But I have more difficulty giving an explanation as to why there are more males than females classified as handicapped.

Senator SCHMITT. Are males exposed to greater danger as boys than girls?

Secretary BELL. I think maybe males tend to be a little more disruptive and lively in school. Maybe because of that, more of them get classified—and if so, it's erroneously so—as emotionally disturbed children.

We do know that in the elementary schools maturation of females occurs a couple of years ahead of males. This gets evened out in latter years of high school, and into college. It is well understood in education that young males in elementary school don't achieve as well as females. Males also have more behavior problems.

I wouldn't know and wouldn't have any data regarding this. I'm just opining about the thing. That may be a part of the problem. I wouldn't want to say that GAO is implying that maybe there has been some misclassification and misdiagnosis. I wouldn't want to sit here and say that there hasn't been. I suspect there has.

But I think that the school systems of the country are getting better at classifying. I think some of the litigation is helping to motivate them to do so because there is a lot of litigation over the Handicapped Act.

HANDICAPPED CLASSIFICATION ASSISTANCE

Senator SCHMITT. Do you specifically assist school districts in classification?

Secretary BELL. We give them technical assistance when they ask for it, but our staff is quite limited so there isn't a large amount that we can do.

VOCATIONAL EDUCATION

Senator SCHMITT. With respect to vocational education, the Department's rationale for cutting vocational education stems from the fact that the State and local dollars overmatch Federal dollars by 11 to 1, which is the estimate that we have.

Since the overmatch would increase to 16 to 1 under the budget proposal due to further Federal reductions, will this then become a justification for further Federal cuts in subsequent years?

Secretary BELL. I wouldn't want to promise that we would be back with higher funding in any of these areas. I would say that the Federal money years ago was a large part of the total, and it's getting increasingly less. In fact, the total Federal budget for education is sort of a 10-to-1 match at the present time. The Federal percentage in vocational education is less than the Federal percentage for all education.

We do have the President's federalism proposal. If it were enacted, we would devolve the vocational education program out to the States, along with the revenue sources that we propose to send. It is one of the education programs that's contained in the President's federalism initiative, if that were enacted.

UNSKILLED AND UNEMPLOYABLE YOUTH

Senator SCHMITT. Mr. Secretary, would you agree that one of the principal social as well as economic problems that face us today is the existence of a large population of unskilled and unemployable young people, age generally classified as 16 to 24, and which has grown with time rather than decreased?

Secretary BELL. I think that's part of it. I would also emphasize that it is also a product of our economy, plus the fact that we haven't had the increases in productivity We've had inflation and high interest rates, too.

Senator SCHMITT. Well, even before the current unemployment and recessionary period, a major, continuing problem within society, particularly in inner cities but also in some rural areas, has been the unemployment of unskilled and unemployable young people.

Isn't the vocational education system in this country going to resolve that problem, and if that is true, do you feel that States in which those young people are concentrated have the resources in order to make up what the Feds don't provide?

Secretary BELL. I'd say they are a lot better off than we are in that regard. I don't know of any State that has a deficit to carry, in proportion to its total annual budget, that looks like the Federal deficit at the present time. Comparatively I'd say they're better off to do it than we are at the Federal level.

But I surely will agree with the chairman that youth, and particularly minority youth, makes up a huge portion of the unemployed. Even when we have higher levels of overall employment, many of these youths remain unemployed. So that point is well taken.

I guess the question is whether it ought to be a State, Federal, or local responsibility.

Senator SCHMITT. Well, I'll tell you, as soon as we have another round of trouble, if we do—and I hope and pray we do not—in our cities, it will become a Federal problem, but in a crisis rather than one which we have worked on systematically.

Secretary BELL. It ought to be a problem for the State legislatures and the Government——

Senator SCHMITT. Mr. Secretary, I'm in total agreement with you. I'm just giving you the "what if." And there's a balance that we have to provide, particularly in this vocational education area.

SENATOR BYRD JOINS COMMITTEE

Mr. Secretary, we're privileged today to have the distinguished minority leader join us, Mr. Byrd.

Senator BYRD. Thank you, Mr. Chairman.

I want to express my appreciation for the fairness and the courtesy that you have always extended to me in these hearings. You've been very accommodating.

UNDER SECRETARY'S QUALIFICATIONS

Mr. Secretary, did you consider Mr. William Clohan an able administrator and a capable Under Secretary? He comes from West Virginia, you know, and I was personally very disappointed by his departure. I know his father who is the mayor of Martinsburg. And I recommended Mr. Clohan for the position of Under Secretary.

Having said that, I repeat the question:

Did you consider Mr. Clohan an able administrator and a capable Under Secretary?

Secretary BELL. I enjoyed working with Mr. Clohan, Senator Byrd. I would prefer to discuss the problem, since it is related to a personnel matter, when we can discuss it privately, out of respect for Mr. Clohan.

I hope I'm not sounding impertinent or impudent in that response, Senator.

Senator BYRD. You were quoted in The Washington Post as saying that:

> Bill has served the Department of Education well for the past year since he arrived, and we'll miss him.

Are we to infer by your answer that, in your judgment, he was not an able administrator and not a capable Under Secretary?

Secretary BELL. I would rather discuss that, since it is a personnel matter, when we're not speaking publicly here, if I could respectfully request that.

Senator BYRD. Mr. Clohan has had, from everything I've been able to determine, an exemplary record of Government service. Were you asked by the administration to dismiss him? And if so, why?

Secretary BELL. I would still prefer to discuss this while I'm not on the public record. It is a matter relating to personnel, and if I get into discussing the qualifications and the performance of a former colleague of mine, I don't think it would be helpful. I don't think it would be in his best interest.

Senator BYRD. Well, of course that leaves several inferences to be drawn. I hope I should not draw the inference that there is something about Mr. Clohan that is such that it shouldn't be discussed publicly, and I don't believe that's the position you're intending—I don't think you mean to leave the record like that.

Secretary BELL. I wouldn't want to respond any way here, Senator Byrd, that would reflect in any way negatively on Mr. Clohan.

Senator BYRD. An April 14 Washington Post story quoted sources as saying the dismissal was not your idea. Are you willing to answer that question on the record?

Secretary BELL. I would prefer not to discuss it at all here. I respect the Senator very much, I fear I'm sounding either impudent or recalcitrant and I don't want to be either, Senator Byrd.

Senator BYRD. I want to debunk any idea that you're appearing to be impudent or recalcitrant. I don't reach that judgment at all.

I'm somewhat nonplused that you don't feel you can answer these questions.

Secretary BELL. A witness here, and particularly myself, needs to be responsive and open to the questions. Each of the Senator's questions is drawing a dodge and a demurring from me. I apologize for that.

Senator BYRD. All right.

Mr. Secretary, from what I've been told, you have an excellent record in the field of education. Are you concerned about the influence of the radical right on the education of our children?

Let me just preface that with this:

In the April 14 Washington Post article, Mr. Clohan described his dismissal this way.

> Perhaps there was feeling that they needed to respond to pressure from the extreme right wing.

The Post also said that Mr. Clohan's dismissal was being viewed as an "ideological purge." And this is the feeling among various education groups.

Would you say that this is an accurate characterization?

Secretary BELL. I don't think it was an ideological purge, nor do I think it was related to ideology.

Senator BYRD. There's no secret that the radical or extreme right wing segment of our society appears at least to be responsible to a great degree for the dismissal of Mr. William Clohan, a person that you yourself have described as "* * * having served the Department of Education well."

I'm disturbed by this. I have no right to presume that you are, but I have a feeling that it's possible you may be. The education of our young people should not be left up to the Terry Dolans of this country, or to the Richard Viguerie. It should not be left up to the people who say, as Terry Dolan said, "We could elect Mickey Mouse to the House and Senate," and who has said that "a group like ours could lie through its teeth" and the candidate it helps "stays clean," and who has also said, "Our interest is in leading the country."

That doesn't represent good government. Mr. Terry Dolan hasn't been elected to anything. It doesn't represent good citizenship. It doesn't represent ethical and moral leadership. And it's not the philosophy that people who are charged with administering the Nation's education program should espouse.

Would you agree to that?

Secretary BELL. I think it's a good thing that in our country, people with all kinds of philosophies and views, all the way along the political spectrum, have an opportunity to participate. I appreciate the fact that that's also the case in our great, diverse and decentralized, and I think, very outstanding school system, public and private.

Because of that we have access to and we receive input and expressions of interest and concern from everyone, from all the broad expanse of that spectrum. Out of it, of course, we need to arrive at decisions that are best for American education and all of the learners. I hope I'm going to be able to be successful in remembering that as I carry out my duties.

Senator BYRD. Well, Mr. Chairman, I ask that you insert into the record the articles from the April 9, 1982, Washington Post entitled "No. 2 Man Forced From Education Department," "Education Department Ousts No. 2 Man; Purge is Seen," and the April 14 article from The Washington Post written by Charles R. Babcock entitled "Ex-Education Aide Blames Right Wing For His Dismissal."

Senator SCHMITT. Without objection, it is inserted in the record.

[The articles follow:]

[From The Washington Post, Friday, Apr. 9, 1982]

EDUCATION DEPT. OUSTS NO. 2 MAN; PURGE IS SEEN

(By Charles R. Babcock, Washington Post Staff Writer)

In what is being viewed as an ideological purge, the No. 2 man at the Department of Education has been forced out of his job. Undersecretary William C. Clohan Jr. abruptly announced his resignation yesterday, after reportedly incurring White House wrath for making a comment about tuition tax credits 10 days ago.

There was no official explanation for his departure, but sources said conservatives in and out of the administration felt he was "too liberal" and not a strong enough advocate of the administration's attempt to dismantle the newest Cabinet agency and cut federal spending in education programs.

Secretary of Education Terrel H. Bell asked for the resignation after returning from a White House meeting Wednesday, sources said, adding that the dismissal wasn't Bell's idea.

Clohan, 33, couldn't be reached immediately for comment. Bell told Associated Press that he couldn't speak for Clohan, but added: "Bill has served the Department of Education well over the past year since he arrived and we'll miss him." In response to a question, Bell said he has "no immediate plans to leave" the department.

Clohan's firing came the same day in which conservative leaders Richard Viguerie and Howard Phillips called for Bell's resignation "for failure to stop the flow of federal dollars to radical groups."

Viguerie and Phillips said in telephone interviews yesterday that they didn't know Clohan personally. Viguerie said he understood that "a lot of people felt he [Clohan] was a big part of the problem over there, and were unhappy that he ran the department." Phillips said he was more concerned about the administration's policies, and added, "Frankly, as they said in the French revolution, we want more than that."

The dismissal leaves as Bell's ranking subordinates general counsel Daniel Oliver, who used to work at the conservative National Review magazine, undersecretary Gary L. Jones, a known internal foe of Clohan's, and acting deputy undersecretary Charles L. Heatherly, formerly of the Heritage Foundation.

Education lobbyists expressed shock at Clohan's firing. "It's a shame. It looks like the ideologues have taken over the department," said Charles B. Saunders, chief lobbyist for the American Council on Education, a college umbrella group. "Bill Clohan is an honest, decent man. Whatever credibility the department had left it owed to him."

"It looks like the right wing is trying to clean out the department of anyone even somewhat of a moderate," said Allan S. Cohen, chairman of a coalition to save the department's Cabinet status.

August W. Steinhilber, associate executive director of the National School Boards Association, said, "I'm sorry to see Bill leave. He has been a person who understands the operation on the Hill and in the field. I wish he were still there."

Rep. John M. Ashbrook (R-Ohio), the ranking minority member of the Education Committee, said the firing was a surprise to him. "He's one of the most competent people I ever worked with. I'd be at a loss to find a reason why he should leave."

Criticism against both Bell and Clohan has been building for months, some administration officials said yesterday, because of their perceived failure to push the president's proposed budget cuts.

Bell, for instance, was quoted as telling the nation's chief state school officials last week that he has "been very careful not to be out front expressing Ted Bell's philosophy of education, which would not represent the point of view of this administration."

The last straw for Clohan may have been his comment to the Associated Press after that same gathering. He said President Reagan had approved the outlines of a tuition tax credit proposal. White House officials said later that the plan wasn't complete and presidential counselor Edwin Meese III reportedly called Bell to complain about Clohan's comments. The fiscal 1983 budget said such a proposal would be sent to Congress this year, but its passage was considered unlikely because it would cost the Treasury billions of dollars at a time of rising deficits.

[From The Washington Post, Apr. 14, 1982]

EX-EDUCATION AIDE BLAMES RIGHT WING FOR HIS DISMISSAL

(By Charles R. Babcock, Washington Post Staff Writer)

William Clohan, who was fired last week as number two man at the Department of Education, described himself yesterday as a victim of the Reagan administration's right wing and conservative pressure groups from outside the government.

Clohan, the former undersecretary of education, also told reporters in his first public statement since his dismissal that he believes the Education Department has "more than its share" of far right political appointees because conservative groups have made a target of the federal role in education.

Several education lobbyists said at the time of the firing that they viewed it as an effort to purge the department for ideological reasons. And Clohan said, "Perhaps there was a feeling they needed to respond to pressure from the extreme right wing."

The 33-year-old Clohan said he agreed that the president has a right to fire his appointees, but said he was upset by the abruptness of the action.

He was "being watched very closely" in recent months because some Reagan officials were "suspicious" of his ties to Congress, where he worked as a Republican aide to the House Education and Labor Committee. There was some concern that he might not work hard enough to alter many of the laws he had helped draft, he said.

Clohan said the timing of the dismissal surprised him. Secretary of Education Terrel H. Bell returned from a White House meeting with personnel chief E. Pendleton James last Wednesday and told him he had to be out of his office by nightfall, he said.

"No reason was given. The implication was they didn't have confidence in me. . . . It was unsettling. I would feel much better if they gave me a good reason," he said during the session in his home in southwest Washington.

His recent comments about the tuition tax credit plan the president is expected to announce Thursday seemed to "trigger" the firing, he said. Edwin Meese III, one of Reagan's top aides, reportedly called Bell the same morning the story appeared and was upset about what Clohan had said, which was only that the broad outlines of the proposal had been approved.

Clohan said he doesn't think the tuition tax credit plan will be enacted this year because of budgetary restraints. "Let's say it's reported out and gets defeated. It's possible Congress will set it aside for many years to come."

Clohan said he had dissented in some internal policy-making discussions, but said he always backed the administration's final decision in public. "If being a team player means being a yes man, I wasn't a yes man."

He said at one point, with a laugh, that his departure might actually quicken the decision-making pace at the department because, as a lawyer, he asks a lot of questions.

Clohan said he doesn't have any definite plans yet, although he said he doubted he would return to work in Congress.

DISMISSAL OF UNDER SECRETARY

Senator BYRD. Mr. Chairman, may I say that the dismissal of Mr. Clohan, based on no more facts than I've been able to find, wasn't justified. There are people in West Virginia, most of us, I think, who are left with a rather sour taste. We feel that he was an able administrator. We recommended him as such. We've seen nothing to the contrary. And until such time as some real evidence to the contrary is shown, we're going to continue to feel that it was an unfair, unreasonable, and illogical ousting, and that it was done without justification.

VOCATIONAL AND ADULT EDUCATION

Now I want to join with the chairman in expressing some reservation about the proposed reductions in vocational and adult education. I don't know that the chairman and I agree fully on this, but I did hear his question and he at least expressed concern about reductions in vocational and adult education. So I want to express my concern over the proposed reduction in vocational and adult education and education for the handicapped.

EDUCATION FOR THE HANDICAPPED

It would appear in some instances that the Federal Government is not living up to its responsibilities with respect to requirements that have been imposed on the States. Education for the handicapped, I think, is a good example of this. I believe we mandated that the States provide education for the handicapped. Now, with no changes in the law, the administration is proposing to further reduce the budget for handicapped education to $900 million in fiscal year 1982 and $846 million in fiscal year 1983.

How do you expect the States to provide those services that have been mandated by law when the States, many of them, certainly don't have the funds to do so, Mr. Bell.

Secretary BELL. We feel that education of the handicapped children is an important priority in our budget. That's why in today's difficult fiscal climate we didn't propose reductions in this area as large as some of the other areas of our budget.

We also feel that the States have the prime responsibility for the education of all children. When we consider our deficits and our horrendous fiscal problems with the Federal budget, notwithstanding the fact that I know the States are also struggling, they're comparatively in a better position than we are to carry the burden.

But having said all of that, let me emphasize again that you can look at the total percentage reductions and see that we didn't reduce the handicapped budget as much as some of the other areas. This reflects our priority and concern for the eduation of handicapped children.

IMPACT OF REDUCTIONS ON LABOR MARKET

Senator BYRD. Today's labor market is calling for skilled workers, and changing market conditions call for worker retraining. In the face of this, the President's budget requests a total of $634 million for vocational and adult education funding for fiscal year 1982 and $500 million in fiscal year 1983.

Does the administration have any specific analyses of the impact of these reductions on the labor market and the economy; and if so, would you please provide a copy of such analyses along with full statements supporting those studies for the committee's record?

Secretary BELL. We'd be pleased to turn over what data we have.

[The information follows:]

IMPACT ON LABOR MARKET AND ECONOMY

To assess the impact of Federal vocational education budget reductions on the labor market and the economy, total spending must be taken into account. Since States and localities overmatch the Federal contribution to vocational education by a ratio of about 11 to 1, we do not believe the reductions in Federal spending will have an adverse effect: however, no specific analyses or studies of the impact exist.

Secretary BELL. I would indicate that the States are matching the Federal vocational funds 11 to 1 now. The major burden is now being carried by the State and local entities. Under the stringency of our budgets we felt that the reduction here would not be as severe as in other areas.

The great mass of the funding for students in vocational areas is now at the State and local level. We put up less than one-tenth of the total.

VOCATIONAL REHABILITATION SERVICES

Senator BYRD. The administration had proposed that vocational rehabilitation services and handicapped research be consolidated into a block grant, at a reduction of $211 million from fiscal year 1982 funding. Because of these reductions in funding how many individuals will not be rehabilitated in fiscal year 1983 as compared to fiscal year 1982?

Secretary BELL. You have the numbers on that, Ms. Christensen.

Ms. CHRISTENSEN. Yes; in 1983, we would actually rehabilitate 138,000 individuals compared to 202,000 in 1982. Of the 138,000 individuals rehabilitated, 55,000 are estimated to be nonseverely disabled. The total number of individuals served would go down from 1.3 million to 900,000, or a decrease of 353,000. The bulk of the population that's served is the severely handicapped.

ANALYSIS OF COST SAVINGS

Senator BYRD. Has any analysis been made of the moneys saved versus the costs in terms of public assistance and food stamps and so forth that an individual or family might be eligible for because he was not rehabilitated for employment?

Ms. CHRISTENSEN. I think that's true. That's one of the reasons we did not reduce the program as much as some of our other programs, plus the fact that it's a current funded program. But there again we expect that the States and localities will be able to reorder some of their priorities and pick up some money from elsewhere.

We have under consideration now, a proposal that would greatly simplify the requirements of the law, and would also provide greater flexibility for States and localities to enable them to make more effective use of the funds.

Senator BYRD. I understood you to answer that such an analysis had been made.

Ms. CHRISTENSEN. We have looked at that analysis. I'll be glad to supply it for the record. We've done cursory kinds of analyses that did look at those studies that show how much you save by rehabilitating a person. I'll be happy to supply an analysis for the record.

Senator BYRD. All right. If you'll supply an analysis of the moneys saved versus costs in terms of public assistance, food stamps, and so forth that an individual or his family would be eligible for because he was not rehabilitated for employment, I would appreciate that.

Ms. CHRISTENSEN. I'll be happy to.

Senator BYRD. Mr. Chairman, I have some additional questions I will submit for the record. And I would appreciate having the responses placed in the record.

Senator SCHMITT. Senator, the questions will be submitted and the responses will be part of the record.

[The information follows:]

PROJECTED FIRST-YEAR BENEFITS TO GOVERNMENT RESULTING FROM REHABILITATIONS IN THE STATE-FEDERAL VR PROGRAM

[In millions of dollars]

Increases in governmental revenues/savings	Fiscal years— 1980	1981	1982	1983
Federal income taxes	86.8	86.2	72.3	52.3
State and local income taxes	12.6	12.6	10.6	7.7
State and local sales taxes	23.4	23.4	20.1	14.6
Social Security payroll taxes	88.7	89.8	71.2	48.1
Subtotal, Government revenues	211.5	212.0	174.2	122.7
Reduction in public institutional costs	35.9	34.0	24.4	15.5
Reduction in public assistance payments	33.0	29.4	22.2	14.5
Subtotal, Government savings	68.9	63.4	46.6	30.0
Total benefits to Government	280.4	275.4	[1] 220.8	[1] 152.7

[1] Based on proposed funding levels that will result in 202,000 rehabilitations in fiscal year 1982 and 138,000 in fiscal year 1983.

UNDER SECRETARY DISMISSAL

Senator BYRD. And I thank you again for your courtesy.

I thank you, Mr. Bell. I believe you indicated you would rather talk off the record about Mr. Clohan; I invite you to do that. I would be happy if your office would arrange with my office for such a meeting. I'll be very interested in having you personally discuss this matter with me.

Secretary BELL. Yes; I'd be pleased to meet with you, Senator Byrd.

Senator BYRD. Thank you very much.

Senator SCHMITT. Thank you, Senator. I think the Secretary may be willing to discuss the matter with you personally. I gather as a matter of principle you would rather not discuss personnel related matters, although you'd certainly be willing to.

Secretary BELL. Yes; I think, Mr. Chairman, when we discuss personnel matters in a public hearing like this—I'm not implying by that that it's improper for the Senator to ask the questions, and I realize and understand his concern. I think when we discuss it publicly here on the record in a meeting covered by the press and so on that it may do a considerable amount of harm, and that's the reason for my reluctance.

I think I should also say that, not only for myself but for all of us in this administration, we've tried to be careful and considerate in our decisions that relate to all of the people that work for us. I wouldn't want to imply in any of my responses that any of my colleagues in this administration have acted improperly in the decision that was made in this specific instance because I feel that wasn't so.

There are many matters that go into decisions of this nature. Some of them relate to the fact that some situations just don't fit as well as others. Some of us find some circumstances where we can function and be very successful and then other circumstances where we can't. I've had that in my own experience as one that's been employed in education and been in public employment virtually all of my life.

Senator BYRD. Mr. Chairman, I don't presume to question Mr. Bell's sincerity and conscientious purpose in not wanting to discuss this matter on the public record. But I will take him up on his suggestion that we talk about it privately.

Secretary BELL. I'll be in touch with you, Senator Byrd, and make an appointment when we can come up and chat in your office.

Senator BYRD. I thank you.

Secretary BELL. Thank you.

WORK-STUDY PROGRAM

Senator SCHMITT. Mr. Secretary, for fiscal year 1983 the administration is requesting $397.5 million for the work-study program, a reduction of $130.5 million from fiscal 1982 appropriations. Your justification states that:

> The administration recognizes the significant role of student self-help in financing post-secondary education, and the contribution of this program in assisting students in obtaining jobs.

I know you also believe that self-help through a job is a very important part of the education process and, as per our previous conversation, I hope that we can consider some ways of actually providing incentives for additional employment.

Since the administration claims to hold the work-study program in such high regard, is there any special reason that it has requested a 25-percent reduction in funding other than your overall budgetary constraints?

Secretary BELL. We wanted to keep the total student aid program in higher education in balance with the other programs that we have to fund. We looked at the total student aid program, Mr. Chairman, while we were also looking at the elementary and secondary programs, the programs for the handicapped, vocational education, and so on.

As we started narrowing our options of what to do with the resources that we had available to us, we were particularly concerned with low-income and minority students and how we could provide the maximum amount of assistance with the available funds for student aid. We didn't want to trade this program off against further cuts in Pell grants, which are specifically designed for some of the students we were talking about earlier in the hearing, or the leverage that we get out of the dollars invested in the GSL program. Since the capital for the GSL program is provided in the private sector and is linked to a high Federal expense for interest subsidy, we could not allocate a higher dollar amount for the work-study program than that we provided. Had we had more money to distribute, the program would have been given a higher priority in the allocation of funds.

We're not saying that the program isn't good. We're simply saying that given our priorities, we felt that was all we could provide for it.

I might add, if you propose to add more to this program, we would hope that we could talk about the possibility of reducing funds from some other place. I would like to appeal as strongly as I can for retaining the $10 billion limit on my budget, especially in light of the problems we're having getting the administration's overall budget reconciled. So when I mention that the work-study program is a good program, I do not want it to be construed as an invitation to raise the appropriation unless there is a better way you can see that our priorities can be met or, realizing that we propose and your committee disposes, unless you can see a place where maybe the allocation of the resources can be improved.

I just emphasize that we need to hold our total budget to the $10 billion overall mark if we can possibly do that.

STATE-FUNDED WORK-STUDY

Senator SCHMITT. Mr. Secretary, are you aware of how many States, and what their levels are, have work-study programs of their own State-funding?

Secretary BELL. I think Dr. Elmendorf could answer that question.

Dr. ELMENDORF. Sir, we know very few do, but we know some States have taken a leadership role—namely New Mexico—and are starting their own work-study program. The State of Massachusetts is considering legislation this year to begin their own State work-study program.

In New York State something rather innovative has happened in that the State has decided to take the 20-percent matching requirement, which is now supported out of private college institutional funds, and have the State pay the 20-percent matching as a means of helping out the private sector in that State. I think, given some of the funding cuts that the States are responding quite well in supporting a program like work-study.

One of the other aspects is that we do have a job location and development program center, as part of the College Work Study program, which allows schools to set aside 10 percent of their funds to create non-Federal employment in the community. That perhaps would be one way for institutions to think about taking up some of the slack that we mentioned earlier in unemployment for persons in the 16- to 24-year-old category.

FEDERAL-STUDENT MATCHING FUNDS

Senator SCHMITT. Have you thought any further about the potential for Federal-student match in order to enhance the funds available to the students based on work?

Dr. ELMENDORF. Could you explain?

Senator SCHMITT. We talked about it, I believe, in our last hearing, developing some kind of matching incentives by which we could make the Federal funds go further by encouraging greater student employment or use of other resources.

Dr. ELMENDORF. We would certainly be willing to consider that as an additional proposal. I think it does have the potential of expanding the use of work-study through an equal share proposition in which the student and the institution would pick up a portion of the cost.

Secretary BELL. Maybe we could take a look at that in our next budget cycle.

Senator SCHMITT. We have to take a look at this budget cycle first.

TRIO PROGRAM

The administration is proposing to reduce funding for the Special Programs for the Disadvantaged, the so-called TRIO program, from $150 million to $82 million. This proposal would continue to reduce funding levels, direct service grants, and eliminate all out-reach activities. TRIO has had significantly positive evaluations by a variety of public and private individuals and groups.

Is your answer for reducing funding here roughly the same as it was under the work-study program?

Secretary BELL. Ms. Christensen is our expert on this. I'll refer the response to her.

Ms. CHRISTENSEN. Mr. Chairman, two programs under the Special Programs for the Disadvantaged; namely, talent search and the equal opportunity centers, are programs that have gone on for at least 10 years. They have achieved their primary purpose of getting the information on student aid out to colleges and universities. Universities, in fact, through their student aid offices, currently carry on this activity as a matter of routine.

At the same time the Federal Government continues a major effort to provide information in the area of student aid programs. There is duplication here and in a tight budget year this was one of the obvious areas to eliminate funding. We are maintaining the programs of Special Services and Upward Bound. Evaluations show that these programs have been very effective in keeping students in school and encouraging them to get into college. For that reason we are keeping them.

We are funding all continuation projects. We even have some new projects for special services in college.

DEVELOPING INSTITUTIONS

Senator SCHMITT. The administration is requesting a supplemental of $5.2 million for the developing institutions program, and level funding of $130 million for this program in fiscal 1983. The $5.2 million I presume is the 4-percent decrease in the continuing resolution.

Secretary BELL. That's right, Mr. Chairman. This is a high priority with the administration. The President has a priority commitment to the traditionally black colleges and to title III. We wanted to continue title III without a reduction. We've asked for a restoration of the 4-percent cut.

That, incidentally, is expected to fund 20-some additional institutions that otherwise would not receive assistance.

Senator SCHMITT. Is that the reason you single this program out relative to other programs that serve minorities in a broader diversity of minorities in developing institutions?

Secretary BELL. Yes; it serves those institutions that educate low-income and minority students—not that they're all attending these schools, but there are concentrations of them there.

Senator SCHMITT. They're special institutions, the developing institutions. The ones that are served, as you said in your previous comment, are the traditional black colleges. I'm not denying that they should be served, but other programs that serve other minority groups and other institutions are being cut by the administration.

Secretary BELL. I would like to emphasize that title III serves a large number of institutions besides the traditionally black colleges. The nature of the act gives priority to institutions that are serving large numbers of Pell grant recipients because of the way the eligibility qualifications are written.

It's more than the traditionally black colleges that are served. We do have our commitment to those colleges, but title III assistance is broader than that. It represents our commitment to all of the developing institutions that are serving low-income target populations. They need assistance in strengthening their programs to insure the quality education that students deserve. Incidentally, this commitment is reflected in our request for a supplemental for Howard University.

Senator SCHMITT. Do you know what percentage of title III program funding actually goes to historically black institutions?

Secretary BELL. Do you know, Dr. Jones?

Dr. JONES. It is approximately 50 percent.

Senator SCHMITT. And the other 50 percent is?

Dr. JONES. Other developing institutions that may not be historically black colleges.

Secretary BELL. But they would be other institutions where there are concentrations of students that we've been discussing here.

PRIORITIES OF NATIONAL INSTITUTE OF EDUCATION

Senator SCHMITT. Mr. Secretary, I understand that a preliminary draft of the National Institute of Education's fiscal year 1983 goals includes a number of goals that are not directly associated with the goals of NIE in the past, such as basic skills and the like. To what extent would the new goals be the focus of NIE activity, and the more important question: Has NIE become a sociological research institution instead of an educational research institution?

Secretary BELL. They certainly have not, and they will not while I'm the Secretary.

We want to concentrate on the basic reason for existence of our institutions. The development of the priorities has been an evolving matter with a new Director on board getting oriented to his duties. I talked to Mr. Curran—he wasn't able to be here because of an illness today—further about the matter of his priorities. That is still evolving.

I would emphasize that we want to give priority to those aspects of education that are at the root of the problems we're having in our society. That certainly doesn't include a lot of sociological research.

Senator SCHMITT. Mr. Secretary, I hope that you will take—and I realize this is a draft and we probably shouldn't even have it in our hands, but we do—I hope that you will take a hard look at it to see whether or not goals such as who in the long run is richer or happier or wiser or more virtuous, a graduate of a highly structured traditional college as opposed to a graduate of the free-wheeling so called relevant college. Not knowing what the author of that particular goal had in mind, just on the surface I would say it might be more important than it looks.

Secretary BELL. I would say that you have one of the earlier versions of that draft.

Senator SCHMITT. I hope so.

Secretary BELL. It is. With a little humor I say, it is heartening to know that this committee is in on the leak grapevine that comes out of our place.

Senator SCHMITT. You realize I am a member of the intelligence committee.

Secretary BELL. Maybe that's where it came from, Mr. Chairman. [Laughter.]

Secretary BELL. But we've come a long way since then. I think we ought to send you an upgraded version.

Senator SCHMITT. I think that would be an excellent idea.

Secretary BELL. The bad news leaks a lot better than the good news down in our place. So we'll deliberately leak the good news to you, Mr. Chairman. We have a better list of priorities than that by a long shot.

Senator SCHMITT. Mr. Secretary, you ought to take the washers out of your faucets if you have specific leaks that you want to get out. [Laughter.]

Secretary BELL. Well, we have been involved in that specifically since that first list was out. We've come a long way since then.

Senator SCHMITT. You mean in terms of the quality of your leaks? [Laughter.]

Secretary BELL. Well, I don't know about that.

[The information follows:]

NIE RESEARCH PLAN

An updated version of the NIE 1982-84 research plan follows: In fiscal year 1983 approximately $3 million will support new activities drawn from the list of studies and topics identified here.

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N I E F Y 1983/1984 R E S E A R C H P L A N S

RESEARCH FOCUS	DESCRIPTION
Cognitive Skills	A study will consider instructional technology, its content and practice, with particular focus on cognitive skills consequences and requirements for advanced computer learning.
	A study will consider the effects of affective education programs, including values education on curriculum content (including time on task for cognitive skills) and performance outcomes in the cognitive skills. (One RFP plus separate commissioned papers)
	A study will consider the impact of mainstreaming on the quality of instruction in the cognitive skills, particularly reading. The relative advantages and disadvantages of homogeneous and heterogeneous grouping will be compared.
	A study will consider the direct and indirect effects of the Bilingual Education Act on cognitive skills.
	A study will consider the comparative advantages and disadvantages of intensive English immersion, English as a second language, transitional bilingual education, and maintenance bilingual education. (One RFP plus separate commissioned papers)
Effective Schools	A national survey will examine national data and trends regarding history, geography, and civics and social studies curricula, instruction, and practices.
Language skills (international)	Research will investigate the cognitive and use factors associated with second-language attrition, testing for language attrition, and the identification of effective methods for restoring proficiency in a second language.
	Research will examine the impact of second-language learning on native language skills. In addition to consideration of usefulness of foreign-language training to students, the research may include issues such as the ideal age or stage of cognitive development for second-language learning.
	NIE-sponsored Research Forum on International and Foreign Language Education Issues. Topics to be addressed through a research forum would include: effects of foreign language study on knowledge of foreign cultures, comparative advantages and disadvantages of new and traditional curricula in teaching about foreign cultures, and consideration of models of effective international educational exchange.
Family	A study will consider the educational effects of family structure and circumstances, particularly on the educational effects of parental unemployment, underemployment, and employment. It would involve some secondary analysis of Department of Labor data bases and some new data collection to examine reasonings for the associations noted.

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NIE FY 1983/1984 RESEARCH PLANS

RESEARCH FOCUS	DESCRIPTION
Youth	A study will consider the educational effects of family structures and circumstances and compare full-time schools with those that encourage part-time employment concurrent with academic work load.
Educational Finance and Governance	A study will examine the Minnesota Tuition Tax Deductions process and analyze its effects on choice, diversity, and excellence in Minnesota public and private schools.
	A study will consider how the new finance mechanisms resulting from state experiments with state block grants are working out for the states, localities, and the populations they are designed to serve.
	A study will examine the impact of federal and state education rules and regulations and the amount of local discretion. The study will focus on topics such as a study of the consequences of federal deregulation, a study of the effects of California's plans to permit local district waivers from state codes, and a multi-state study of the combined effects of federal/state rules and regulations and collective bargaining on local districts.
	A study will examine tenure laws and merit pay plans, with particular attention to the efforts by states to find solutions to improve the quality and effectiveness of the teaching force.
School Management and Organization	A series of commissioned papers on consumer choice and market incentives will synthesize and apply existing research on schools as organizations to this issue.
	A study on school discipline and safety will identify and describe successful local programs to address these problems. It will gather evidence on the impact and effectiveness of different programs on different types of students, analyze the key determinants of successful implementation, and describe consequences for academic outcomes.
Cognitive Skills	A study will consider the effects of federal programs of curriculum development. The study will collect data on such programs, analyze the extent to which the Federal Government has acted as a change agent during the past twenty years, and consider the effects of these programs on cognitive skills. (One RFP plus commissioned papers)
	A study will consider the direct and indirect effects of Title I of the Elementary and Secondary Education Act of 1965 on cognitive skills. The focus of the study will be on academic outcomes, not patterns of allocation or other inputs.
	A study will consider the direct and indirect effects of P.L. 94-142 on cognitive skills.

RESEARCH FOCUS	DESCRIPTION
Cognitive Skills (cont.)	A longitudinal study will examine the home school movement to determine the extent of this activity and to see if the quality of instruction is comparable to other options available to parents.
Education and Training (international)	The research will consider issues related to postsecondary international education and foreign language in noncollegiate organizations; e.g., principally corporations, but also public agencies and voluntary organizations. Specifically, the research will explore the nature, extent, benefits, and impact of American education and training services to other nations; consider whether education and training may be a value-added "commodity" in international trade; determine what flows of funds and people are involved, what flows would be most beneficial to the U.S.; consider the value of cultural factors in educational "trade"; and examine the overall potential and limitations of education and training as an export.
Research and Educational Practice (REP)	Program studies will focus on understanding the range of effects of NIE-sponsored programs and identifying the most promising models and practices within these programs, understanding the effects of NIE's actions in designing and managing the programs and identifying better ways of carrying out federal policies and responsibilities in such programs, and developing a fundamental understanding of dissemination and improvement strategies in order to design more effective approaches in the future. There will also be synthesis and reporting of research that REP and others have conducted.
Technical assistance contracts	Support of systematic internal school improvement by external technical assistance delivered through service provider organizations, including training in specialized knowledge and skills for those in dissemination and knowledge use roles in service provider organizations; interpretation and synthesis of knowledge needed by clients; and developing communication channels with organizations not funded under dissemination improvement grants so that they can learn from the experience of others. The intent is to keep the technical assistance modest with services reserved for those who are attempting to improve their capabilities to serve others (particularly school and district-level practitioners) through dissemination and knowledge use strategies.
ERIC Improvement	Restoration of cuts over the past years. (Through existing contracts) Planning study regarding expansion to a state-of-the-art system. (New RFP) Series of activities to improve quality control and initiate high-priority improvements, and to make technological and utilization enhancements. (Through existing contracts) New prototype design and demonstration of microcomputer uses study. (RFP) New prototype development of video disc technology use by ERIC. (RFP) Development of unique synthesis products. (RFP) Development of a specialized file for basic skill areas; e.g. reading. (RFP) Feasibility/demonstration of original documents on video disc. (RFP)

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NIE FY 1983/1984 RESEARCH PLANS

RESEARCH FOCUS	DESCRIPTION
ERIC Special Focus Study (international)	There will be a special focus project within the ERIC Clearinghouse on Language and Linguistics which will search for fugitive literature related to second-language skill attrition, the impact of second-language learning on native language skills, education and training in international trade, and other international and foreign-language education issues.
Library Improvement	In order to provide a national resource to serve information specialists and selected education audiences, the following activities are proposed for the National Educational Information and Resource Center (nee NIE Library): o Special services: Improved referral service, preparation of bibliographies of state-of-the-art papers, preparation of information packages for decision-makers and ED speakers, and selected dissemination of information. o Improved operations: Assessment of new technologies for application and leasing of facsimile transfer machine. o Programs: Development of in-house awareness program. o Special collections: Collect and disseminate educational products collection; expand law collection or make other arrangements; reestablish educational materials center collection; collect, index, and make available archival collection; complete rare book restoration; catalog and index Heath collection; and catalog and index the Elaine Exton collection. o Other services: Reference services to State Education Agency (SEA) network, provision of technical assistance to state and local education agencies, and provision of an information hotline (toll-free 800 number). o Other programs: Resident Scholars Program and a School Librarian Intern Program.
Minorities and Women's Program	A contractor will be funded to handle dissemination of research on models of increasing participation of women and minorities in educational research and dissemination. Data collection and analysis on patterns of participation by minorities in the field of educational research. Emphasis should be on minority participation.

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NIE FY 1983/1984 RESEARCH PLANS

RESEARCH FOCUS	DESCRIPTION
o Cognitive skills	Grant applications will be solicited regarding the following research issues/questions:
	Classical lanaguages. Examination of the claims that the study of classical languages contributes to a more thorough understanding of other academic subjects and develops students' mental discipline.
	Intelligence and schooling. How have changing conceptions of intelligence affected beliefs about achievable goals for education?
	Cognitive skills... What is the nature of thinking, reasoning, and problem-solving skills? How do they develop? What are non-school influences on cognitive skills such as planning and how do these influence learning capacity? What are instructional implications of cognitive skills development under different circumstances? Instructional experiments and comparative studies are possible.
	Writing. What are the effects of writing instruction? What are specific features which make a written product particularly comprehensible? How helpfulare text editing and the new word processing technologies in improving the teaching of writing, etc.?
	Mathematics. What are the effects of various environmental factors on children's mathematical learning? What are the fundamental nature of mathematical skills, concepts, and abilities, how are they related, and how can they be developed? How will the growing computerization of jobs affect the matematical knowledge students will need, and are schools the place that they should obtain this knowledge? What are the instructional tradeoffs between the needs of jobs and the more academically oriented tradeoffs?
	In the area of math, comparative studies on the educational consequences of new and traditional practices will concentrate on upper elementary and secondary grade levels, particularly in the area of problem solving. In the area of cognitive skills, "teaching intelligence" studies will cover the range of age levels and cognitive academic skills.
Reading & Writing	Grant applications will be solicited for
	o longitudinal studies of the acquisition of literacy skills, which would focus on beginning reading through mid-level reading where decoding and comprehension processes become coordinated and ready in use for reading from texts, and evaluative

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RESEARCH FOCUS	DESCRIPTION
	practices in reading and writing skills. Full consideration should be given to intensive phonics as one of the "traditional" methods to be compared.
Instructional Technology	Research grants will examine: the home use of instructional technology. Focus on learning to what extent technology will make instruction in the home feasible for large numbers of people, and determining its limitations regarding reading, writing, and problem-solving skills. within-school use of instructional technology. Focus on special organizational arrangements which may facilitate successful and cost-effective use of schools' technological resources, and on options available to teachers and parents for how much and what kind of instruction is delivered by computers. instructional technology, content, and practice with particular attention to characteristics of quality courseware in relation to student characteristics.
New/Traditional Forms of Grouping	Research grants will examine: assessment strategies for entry/exit decisions on grouping; the scientific and practical issues affecting criteria for ability grouping and student needs assessment; the advantages/disadvantages of different forms of classroom and school grouping practices, etc.,; and assessment practices, especially the effect on high ability students, including consideration of questions such as how do teachers determine who should be given out-of-level tests.
Discipline	Research grants comparing the consequences of new and traditional forms of school discipline codes and their enforcement are proposed. The grants would emphasize identifying schools, both public and private, with effective disciplinary practices, and on determining why those practices are effective. Consideration should be given both to affirmative awards for exemplary behavior and to penalities for misbehavior. Possible legislative, judicial, regulatory, and subregulatory obstacles to effective practice should also be considered.

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NIE FY 1983/1984 RESEARCH PLANS

RESEARCH FOCUS	DESCRIPTION
Secondary Analysis	Research grants would consider the basis for trends in student academic progress nationally, would undertake secondary analyses of NAEP and other databases regarding these trends.
Teacher Policy & Practices	Grant applications will be solicited regarding the following types of research issues/questions: 2,350 Teacher policy studies, including examination of teacher training, recruitment, selection (including testing), retention (including tenure) and promotion in both public and private schools. Special attention should be given to the effectiveness of pre-service teacher training curricula with regard to the classroom objectives of literacy, technology, mathematics instruction, and history instruction. Local district personnel policies, e.g., **how** do different types of school systems hire, train, evaluate and compensate teachers. **Emphasis** will be placed on examining local innovations and how state-level regulations, teacher preparation systems, and collective bargaining practices affect local initiatives. Tenure laws and merit pay plans, with particular attention to efforts by states to find solutions to improve the quality and effectiveness of the teaching force. Educational advantages and disadvantages of new and traditional instructional practices, with particular emphasis on content emphasis in staff development. Better information is needed on the substantive quality of staff development efforts.

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NIE FY 1983/1984 RESEARCH PLANS

RESEARCH FOCUS	DESCRIPTION
	Increased use of consumer choice and free market incentives in improving teacher quality, with particular attention to research on school-teacher agreements and on incentives for high school mathematics students. What are the educational consequences of present certification and licensing procedures? It may be possible to obtain some international comparisons of the educational advantages and disadvantages of different kinds of standards for who is eligible to teach and the consequences of removing or reducing these standards. Teacher quality issues, including reward/incentive systems and alternatives to expanding the teaching pool.
	Research grant applications will be solicited to address the following types of research issues/questions:
Private, Fundamental, & Home Schools	Grantees will consider the reasons for the rapid rise in private schools during the past decade; the reasons why parents choose private schools; access of lower-income and minority children to private schooling; the extent of home schooling and the quality of home schooling compared with other options; the extent of fundamental or "back-to-basics" alternative public schools, the reasons why parents choose these schools, and the similarities and differences between these schools' environments and learning outcomes with those of public schools, including techniques for dealing with disciplinary problems, vandalism, and drug use.

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NIE FY 1983/1984 RESEARCH PLANS

RESEARCH FOCUS	DESCRIPTION
Education Finance & Governance	Research grant applications will be solicited to address the following types of research issues/questions: Tuition tax credits and tax deductions; vouchers, including possible administrative costs and savings of various proposals, other likely advantages and disadvantages of specific proposals (such as voucherizing targeted federal education programs like Title I or bilingual education), and comparisons with foreign countries which provide direct or indirect aid to non-government schooling; Washington State's program of public financing for remedial education in the private sector; novel mechanisms of financing private-school tuition, such as a Manhattan school's practice of charging a flat percentage of every family's income; block grants; federalism initiatives like the National Governors Association proposal to return all education programs to the states; the qualitative effects of school finance equalization on school performance and academic outcomes (not the mechanical or quantitative effects). Research on state education finance, law and governance issues at all levels of education, including applied research/policy studies and workshops. Research on education and the economy, including consideration of education and productivity, relevance of tax policy to education; regulations and standards regarding corporate education, education and training programs; and public and private investments in education. Issues regarding law and education, e.g., the body of knowledge characterized as preventive law; Evaluation of costs and benefits of various dispute resolution mechanisms, and identification of innovative state and local legal procedures. Effects of court decisions on local decision making and on academic outcomes in the cognitive skills.
School Management & Organization	This research grants program will encourage research on the following priority areas within the general topic of school effectiveness: comparative studies of public, private and alternative schools to discover organization and management innovations; the impact on local discretion of higher-level (state and federal) policies, mandates, and regulations; how to maintain effective schools in the face of changing social context; the impact of various models of desegregation on the academic achievement of the various Hispanic subgroups; focus on district-level educational

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RESEARCH FOCUS — DESCRIPTION

management; management uses of new information technology to increase both effectiveness and efficiency; the impact of court decisions on local decision-making and on school effectiveness; consideration of rising trends in youth delinquency, including exploration of the possible causes of these trends and identification and examination of schools which appear to be effective at managing them;

- o the organizational, fiscal and governance problems facing urban school districts;
- o the support and strengthening of the existing network of universities, state department of education staff, and associations of rural administrators and research regarding the organizational, fiscal and governance problems facing rural school districts and rural educators;
- o the identification and analysis of exemplary schools at the early adolescent age level and research regarding that age group of students;

Additional questions would include: What have been the educational effects of legislative constraints, regulations, subregulatory guidelines and judicial requirements on instructional decisions within the classroom? Do teachers and principals have more freedom than they perceive?

Postsecondary Education

A grants competition is proposed which would address the following themes: changes in curriculum of higher education and how these changes have occurred; the progress of students through the system of higher education and the effects on their chances; the respective roles of higher education institutions and industry; improvements in the management of academic institutions in the face of declining resources; the impact on the expansion and contraction of academic institutions by State governance systems and Federal policy; the effects of State regulations on colleges and universities with particular attention to the effects on institutions on the funding formulas, information systems, and oversight mechanisms; fundamental issues regarding academic management processes at the postsecondary level; and mechanisms for improved management development in traditionally black colleges.

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NIE FY 1983/1984 RESEARCH PLANS

RESEARCH FOCUS	DESCRIPTION
Research and Educational Practice	Exploratory research studies to increase understanding of what constitutes effective dissemination and use of knowledge for the improvement of educational practice, with particular attention to the use of of new knowledge in schools and classrooms, the role of helpers to teachers and principals and the differences in form between research and practice knowledge; review of the availability of and the relationships among providers of support for school improvement; and case studies on the effects of written and spoken knowledge on the knowledge and behaviors of teachers or principals.
Regional Programs: Diss. Improvement Grants	The grants program will support secondary level service provider organizations to aid them in improving their educational practices. These organizations include state education agencies, intermediate service agencies, large urban districts where there are support functions which include strong dissemination and knowledge use activities, colleges and departments of education and associations of professional educators. The purpose of the grants program is (a) to assist agencies in strengthening their dissemination service provider role based upon research and other studies of practice improvement, (b) to demonstrate the benefits these services have for local school improvement efforts, and (c) to provide a base for further research on the unique characteristics and practices that prove most effective in each class of service provider organization.
Fellows Program	Fellowships, both residential (at NIE) and non-residential, for a wide variety of academics from the arts and letters, natural sciences, and journalism to pursue research on education.
Director's Reserve & Unsolicited Proposals	

EDUCATIONAL LABORATORIES AND CENTERS

Senator SCHMITT. Mr. Secretary, it has come to our attention that the Department is conducting a service delivery assessment, whatever that is, on the NIE funded regional education laboratories and centers. We're told that this assessment allows the interviewing of some-500 individuals. What's the purpose of this?

Secretary BELL. We have been concerned that research will make a difference in the classroom. We've been concerned as to what laboratories are making an impact on learning.

The service delivery assessment is an effort for us to learn from the users of the research, the schools themselves, what they view as the important products they're utilizing from these laboratories in helping them to more effectively educate the children in our schools. This assessment effort is part of our total broader effort to learn from our experience with the educational laboratories. What we propose to do is to learn from the schools what research products are being utilized by them in areas such as reading, mathematics, science, and so on.

GENERAL COUNSEL'S OPINION

Senator SCHMITT. Mr. Secretary, you owe us a copy of your General Counsel's opinion regarding legal contracts over the last few years. Senator Specter raised that question a few weeks ago, and it would be helpful to us if we had your basic legal opinion on that.

Secretary BELL. We're still debating that vigorously. It looks like we may be going to litigation on it. I'll be in touch with you on that particular item. I'd like to talk to you about it.

Senator SCHMITT. OK, sir. We would like you to do that.

[The information follows:]

OPINION OF THE GENERAL COUNSEL

MAY 7 1982

MEMORANDUM

TO : Mr. Edward Curran, Director
National Institute of Education

FROM : Daniel Oliver

SUBJECT : Memorandum on Continuation of Labs and Centers
Contracts and Grants

Attached, for release to the Senate Appropriations Committee, is a copy of the August 28, 1981 staff memorandum requested by the Committee. The memorandum relates to the issue of support by the National Institute of Education (NIE) for the Research and Development Centers and Regional Educational Laboratories.

The memorandum correctly reflects the view of the Office of the General Counsel that the Federal Government's legal obligation to fund the labs and centers does not extend beyond the current grants and contracts to the labs and centers which expire by their own terms on November 30, 1982. (It should be noted that two of the Research and Development Centers have three-year grants that terminate on November 30, 1983.) The grants and contracts make reference to a January 15, 1979 NIE document entitled, "Long-Term Special Institutional Agreements With the Seventeen Existing Laboratories and Centers;" that document contemplated additional years of support for the labs and centers. However, the reference in the grants and contracts to the document is for the limited purpose of specifying that the "activities performed under the [grant or contract] shall be in accordance with" the terms of the document. Given the specific expiration date in the grants and contracts, there clearly was no intent to incorporate in these awards a longer project period.

The "Long-Term Special Institutional Agreements" document is a statement of administrative policies and procedures issued by NIE, explaining its intention, subject to stated qualifications, to provide long-term support to the labs and centers. The document itself has not been the basis for obligating any Federal funds, and its provisions for continuing support do not, in our view, constitute a contractual commitment or other legal obligation by the Government to fund the labs and centers beyond the expiration date of their current awards.

As indicated in the staff memorandum, even if, for the sake of argument, the "Long-Term Special Institutional Agreements" document were considered to establish legal obligations for NIE, those obligations respecting duration of support would not require continued funding of the labs and centers. Grant regulations and the terms of the contract permit NIE to decline to award additional grants or to terminate the contracts if that is in the best interest of the Government.

The staff memorandum also indicates that NIE's decision not to make additonal noncompetitive awards to the labs and centers implements a congressional directive to provide future funding for the labs and centers on a competitive basis. This is correct, but some of the analysis on this matter in the staff memorandum should be qualified. This Office's view is that the directive does, as a matter of congressional relationships, establish a responsibility for NIE to make future awards on a competitive basis. It clearly supports NIE's decision to take this action.

On the other hand, the directive, which is contained in a committee report and does not explain any ambiguity in a law, is not legally binding on NIE. This qualification on the analysis concerning the congressional directive alters neither the staff memorandum's predominate analysis nor its conclusion concerning the duration of the grants and contracts.

MEMORANDUM

2 8 AUG 1981

To : Thomas G. Carroll,
Labs and Centers Coordinator,
National Institute of Education

From : JoAnne Durako
Office of the General Counsel

Subject : Continuation of Labs and Centers contracts and grants

You have asked whether the National Institute of Education (NIE) is legally bound to continue the non-competitive funding of the seventeen Research and Development Centers and Regional Educational Laboratories (Labs and Centers) beyond the expiration date of November 30, 1982 under present grants and contracts. Based on a review of the terms of the grants and contracts and the relevant law currently in force, it is our opinion that NIE is not required to extend the current awards with the Labs and Centers beyond the projected November 30, 1982 expiration date.

Background

The Director of NIE is authorized to make grants to and enter into contracts with research and development centers and regional educational laboratories under section 405(f) of the General Education Provisions Act. (20 U.S.C. 1221e). The original Labs and Centers were established, and in some cases constructed, under the Cooperative Research Act of 1954 (P.L. 83-531, and its implementing regulations, 45 CFR Part 151 Subpart D, revised as of Jan. 1, 1967). Under current arrangements, the nine centers have grants and the eight labs have contracts, all of which commenced on December 1, 1979, with expiration dates of November 30, 1982. Multi-year awards to the seventeen Labs and Centers currently in effect were made non-competitively; however, no provisions exist in section 405(f) or other relevant statutes specifying multi-year awards or identifying the seventeen institutions to be funded. Previous congressional guidance to NIE regarding the implementation of the Labs and Centers program has come from report language accompanying appropriations bills. Language in the Conference Committee report accompanying the Omnibus Education Reconciliation Act of 1981 expresses a change in policy, effective upon completion of current awards, that future funding for Labs and Centers be pursuant to government-wide competitive bidding procedures and peer review principles. H.R. Rep. No. 97-208 at 729,730.

The threshold question at this time is whether 1) the Director's January 15, 1979 "Dear Colleague" letter and the attached "Long-Term Special Institutional Agreements with the Seventeen Existing Laboratories and Centers" stating NIE's Admininstrative Policy and Procedure, or 2) a common provision in both the grants and contracts which incorporates the terms of the "Long-Term Special Institutional Agreements with Laboratories and Centers" legally binds NIE to continuing support for the seventeen institutions beyond the November 30, 1982 expiration date.

Grants

The multi-year grants issued to the research and development centers, covering a three year project period from December 1, 1979 to November 30, 1982, were awarded pursuant to the authority of the Director of NIE under section 405(f) of GEPA (20 U.S.C. 1221e). Initially, administration of the awards was governed by NIE's General Provisions, Chapter XIV, Subchapter A, of Title 45 of the Code of Federal Regulations. NIE's General Provisions were replaced by the adoption of the Education Department General Administrative Regulations (EDGAR) by the Education Division of HEW. 34 C.F.R. 75.1. the provisions of EDGAR became applicable to the grants to the centers upon modification of the grant awards for the continuation of the project period, December 1, 1980.

Under EDGAR, certain conditions which are relevant to the grants to the centers, must be satisfied before multi-year projects are continued. The provision of EDGAR governing continuation of a multi-year project after the first budget period states, in pertinent part, as follows:

> The appropriate official of the Education Department may make a continuation award for a budget period after the first budget period of an approved multi-year project if --
>
> (1) The Congress has appropriated sufficient funds under the program; . . . and
>
> (4) Continuation of the project is in the best interests of the Federal Government. 34 C.F.R. 75.253.

This authority allows NIE to decline to continue multi-year projects if appropriations are insufficient or if it is determined that continuation is not in the best interests of the Federal Government. In the case of the centers, it would be permissible, absent Congressional direction to the contrary, for NIE not to continue projects in FY 82 due to the substantial decrease in authorized appropriations, or, on the basis of a determination that continued funding would not be in the best interests of the Institute. The substantial decrease in authorized appropriations and the Government's general interest in competition would argue against continuation of the grants. However, language in the Conference Committee report, which accompanies the Omnibus Education Reconciliation Act of 1981, indicates a preference for proportionate reduction in FY 82 budgets for all NIE grantees and contractors to meet established obligations. For the labs and centers described in subsection 405(f) of GEPA, Congress specifically expressed an intention that "upon completion of existing contracts, future funding [be] in accordance with government-wide competitive bidding procedures and in accordance with principles of peer review..." H.R. Rep. No. 97-208 at 730.

It is our view that the term of the grants for centers expires November 30, 1982, the end of the project period indicated on the grant award documents. We believe the 1982 termination satisfies the most recent expression of Congressional intent regarding NIE non-competitive support of the centers. The conference report language explicitly changes the previous policy of continued non-competitive support of the centers, but only "upon completion of existing" grants. We interpret Congress' desire to change existing policy to permit current agreements to extend to November 30, 1982, but not through a previously contemplated five year period ending November, 1984.

We find no persuasive evidence in the grant award documents to indicate that the term of the grants extends beyond November 30, 1982. In our analysis, we have reviewed the "Long-Term Special Institutional Agreements" as incorporated into the general provisions of the grant documents.

There is insufficient language in the Special Institutional Agreement to bind NIE absolutely to a project term of five years, a term in excess of the three years provided for in the grant documents. Throughout the Special Institutional Agreement, reference is made to NIE support "ordinarily for five years" and "as long as NIE receives a sufficient Congressional appropriation" (pages 1,5,6; emphasis supplied). While an argument can be made that at the time of execution these agreements were intended to continue for five years, we do not view the language in this agreement as sufficient to overcome the specific expiration date for the grants, the applicable provisions of EDGAR, and the Congressional intention to institute competitive procedures for the centers. Furthermore, we find no additional basis in the Director's January 15, 1979 letter or the Special Institutional Agreement viewed independently from the grant awards to compel continuation beyond November, 1982, since these documents merely state administrative policy and procedure.

Contracts

The multi-year contracts awarded to the regional educational laboratories, effective December 1, 1979 and expiring November 30, 1982, like the grants to the centers discussed above, were made pursuant to the authority of the Director under section 405(f) of GEPA. (20 U.S.C. 1221e). The provisions of these contracts consist of, among other things, General Provisions for Negotiated Cost-Plus-Fixed Fee Type Contract, HEW Form 316 (rev. 7/76) and, under the Scope of Work, the conditions of the "Long-Term Special Institutional Agreements with Laboratories and Centers."

HEW Form 316 specifically provides in Clause No. 15 for termination of the contract for the convenience of the Government. The relevant provision states:

> The performance of work under the contract may be terminated by the Government in accordance with this clause in whole, or from time to time in part ... (2) whenever for any reason the Contracing Officer shall determine that such termination is in the best interest of the Government.

This provision of the contract gives the Contracting Officer broad authority to terminate the contract in the best interest of the Government, if necessary.

As discussed above for grants, it is our opinion that incorporation of the terms of the Special Institutional Agreement is legally insufficient to bind NIE to continued, non-competive support for the labs in the face of Congressional intention that competitive procurement procedures be employed upon completion of existing contracts. Therefore, it is not necessary to resort to the Governments prerogative under the termination clause. The Conference Report language however, appears to bind NIE to continued support through the completion of the current contracts, although at a proportionately reduced level of funding. H.R. Rep. No. 97-208 at 729, 730. This would require some level of funding of the labs through the expiration date of November 30, 1982. Finally, we find no additional basis in the Director's letter or the Special Institutional Agreements themselves for concluding that the labs are entitled to funding beyond that date.

Additional Considerations

It should be noted that this opinion is based upon the law as currently in force, and it relies heavily for its support upon the Conference Report language concerning the Labs and Centers. Reports of Conference Committees are accorded deference when resorted to in construing ambiguous statutes especially where the report states the committee's grounds for arriving at a particular decision or indicates an understanding of its nature and effect. Sutherland Statutory Construction, § 48.08 (Vol. 2A, 4th ed. 1973).

Congressional clarification of the nature and extent of the "long-term" commitment to the Labs and Centers is essential and is provided by the Conference Report. However, subsequent contrary action by Congress in the appropriations process for either FY 82 or 83 may undermine the foundation of the current analysis and require an opposite result.

With that caveat in mind, we offer a further opinion that because the grants and contracts expire on November 30, 1982, and the Labs and Centers must then compete for additional funding, the rationale for third year evaluations no longer exists. Without a commitment of future funding from NIE, there remains no basis for the expense or need for the planned evaluation activities. Therefore, we advise that such plans should not be pursued, unless they are otherwise justified.

We have not investigated at this time the scope of permissible activities under the final year of the multi-year grants and contracts. It remains to be determined to what extent close-out or winding-down activities are required of the Labs and Centers during the third year. Practically speaking, it is conceivable that a large number of these seventeen institutions may successfully compete for future NIE funding, making close out activities unnecessary. However, the applicable legal requirements under thse circumstances are beyond the scope of this memorandum. Before a legal analysis of authorized third year activities may begin, NIE must first determine the nature of the future competition, i.e. whether it will be for institutional support, through a program purchase plan, or other kinds of awards.

SUBMITTED QUESTIONS

Senator SCHMITT. We'll have a number of additional questions, Mr. Secretary, to give you to be answered for the record, with those of Senator Byrd. If you can provide the answers at the same time that you return the corrected hearing transcript, we would appreciate it. The corrected hearing transcript is our way of demonstrating English proficiency, correct? [Laughter.]

Fortunately they haven't required a bilingual program for the United States Senators and Cabinet Secretaries.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COORDINATION BETWEEN VOCATIONAL EDUCATION PROGRAMS AND CETA

Question: During preparation of the Foundation proposal, was there discussion of providing better coordination between vocational education programs and CETA? What if anything, did you decide in this matter?

Answer: During discussions of the Foundation proposal, it was decided that provisions should be made for coordination of Foundation programs with related activities of other agencies. The Administration's bill will mandate such coordination. However, most coordination issues are ones involving provisions of program authorizing statutes rather than matters of organization. Accordingly, there are several specific points of intersection between CETA and vocational programs in Administration proposals for those programs, including the following:

-- Representatives from the State vocational education system are to serve on State Job Training Councils (Section 103(b) DOL bill).

-- Representatives from public vocational education systems are to serve on Private Industry Councils (Section 105(a) DOL bill).

-- "Training activities" under DOL bill may include vocational education and other skill training in a classroom setting (Section 112(4) DOL bill).

-- To receive funds from DOL, a State must establish job training linkages with other programs including the State vocational agency (Section 114 (1) DOL bill).

-- Both the Secretary of Education and the Chairman of the National Association of Counsellors of Vocational Education (NACVE) serve with the Secretary of Labor as members of the National Commission on Training and Employment (NCTE) Section 402(a)(1 and 2) DOL bill).

-- Section 403(1) of DOL bill requires the NCTE to identify in conjunction with NACVE training and employment issues which effect the Nation.

-- Section 403(5) of DOL bill requires the NCTE to identify in conjunction with NACVE the job training and vocational education needs of the Nation and how these program represent a consistent, intergrated, and coordinated approach to meet such needs.

-- Section 405 "Reports" of DOL bill requires inclusion of NACVE comments on NCTE report findings.

-- Chairman of the NCTE is to be member of NACVE (Section 108(a) of proposed VEA/AEA Consolidation.

THE FOUNDATION FOR EDUCATIONAL ASSISTANCE PROPOSAL

Question: The press reports that the Foundation for Educational Assistance Plan is dead for this year. Is this true?

Answer: No. The President and Secretary are still committed to the Foundation proposal. There is some support for it in Congress and we are continuing to work with other Members to get additional support.

DECLINING ENROLLMENTS

Question: How will school districts cover the costs of rising enrollments?

Answer: School districts cover the costs in the same way they have in the past--through State and local taxes. Those ten dollars account for 9 of every 10 dollars spent on public education.

Question: Isn't it true that most school districts have found savings from enrollment decliines to be quite marginal in practice?

Answer: According to an April 1982 publication of the National Center for Education Statistics:

> The data indicate that net savings from declining enrollments are not fully realized in the year of the decline. Savings benefits lag enrollment declines by 3 to 5 years, largely due to the continuation of fixed costs such as operation and maintenance of the school plant, student transportation, and indirect expenses for professional services. Approximately 10 to 15 percent of the expenditures per pupil are avoided the first year that an enrollment decrease is experienced.

PROS AND CONS OF THE FOUNDATION PROPOSAL

Question: What do you perceive to be the pros and cons of the Foundation proposal?

Answer: The Administration is advancing the Foundation proposal after looking at many alternatives. The proposal has many positive elements. It provides a framework for the Federal leadership role in education of strengthening control by States, local governments and private institutions over their own responsibilities. The Foundation calls for a Presidentially appointed, Senate confirmed Director who will thus have access to the President. It will have a flexible internal organization that can be modified as required. It will reduce Federal intrusion by limiting the authority to regulate strictly to what is legally required or necessary. It will reduce the high number of executive positions and staff by 1400 employees with annual savings of $56 million--as compared to the Department of Education in Fiscal Year 1981. The Foundation will continue to administer:

-- Block grants and consolidated aid for State and local educational agencies;

-- Student financial aid through grants and loans;

-- Compensatory programs for disadvantaged, handicapped, and other groups;

-- A core of continuing informational, statistical and research services for education; and,

-- Civil rights complaint investigations, compliance reviews, and negotiations for voluntary compliance.

Question: Do you feel the Department has had an adequate chance to prove itself?

Answer: That is not the issue. It was conceptually a bad idea from the start. Why should an idea--when bad--be continued idefinitely?

Question: Has it performed badly?

Answer: That too is not the issue. Most of the Department's programs are authorized by Congress and many changes have been enacted, such as the Education Consolidation and Improvement Act of 1981. In response to this law, the Secretary of Education eliminated 30 sets of regulations that required 200,000 pages of grant applications, 7,000 pages of financial reports, and 20,000 pages of programmatic reports annually. An overzealous future Administration could always reverse the deregulatory trend started by this one.

FEDERAL ROLE FOR EDUCATION

Question: Why do you feel that a Cabinet-level Department of Education is not appropriate for the Federal role in Education?

Answer: Federally funded education represents only 10 percent of the dollars spent nationwide on education. Now, as historically, the primary responsibility for education (policy and financing) rests with the States and local units of government. The move to a Foundation will further emphasize the limited Federal role for education.

The Federal role should be limited to the following functions:

-- Responsibility for leadership to encourage behavior that strengthens State, local and private control.

-- Research and data collection with emphasis on strengthening excellence in education and emphasis on how schools might fill unmet needs that are nationwide in scope.

-- Financial aid to college students with emphasis on increased State and local involvement, directed toward the neediest students.

-- Carefully targeted aid to students who have not received an equal educational opportunity at the elementary and secondary level.

-- An ironclad guarantee of civil rights and equal opportunity.

ASSISTANCE TO STATE AND LOCAL EDUCATIONAL AGENCIES

Senator Specter: Secretary Bell, you have indicated that Title I projects can be operated at a cost of instruction of $250 to $300. Last year, the national average was $576 per child. In Pennsylvania, the average per-pupil cost was $501 per child, which netted sufficient achievement gains for our Chapter 1 children.

What kind of assistance can the State education departments and local boards expect from the Department of Education in cutting costs and in more efficiently operating projects?

Answer: We have identified at least a dozen exemplary Chapter 1 (Title I) projects that have a relatively low cost per child (ranging from $220 to $567). The proposed Foundation will continue to identify and disseminate such cost-effective projects through the National Diffusion Network (NDN). In addition the Chapter 1 program office will, upon request, provide expert assistance to State staff concerning the adoption of these projects

PROPOSED REDUCTIONS IN CHAPTER 1 FUNDING

Senator Specter: On February 23, 1982, there was an article in the Washington Post on a Defense Department study on the results of the vocational aptitude test. This study indicated that minority children scored significently lower on these tests than majority children. In light of these results, and the fact that the principle recipients of Title I programs are minority children, does it make sense to reduce the level of funding for the program?

Answer: The proposal to reduce Chapter 1 programs in fiscal years 1982 and 1983 was part of the President's overall policy of decreasing Federal expenditures. Reducing the Federal budget across the board is an essential element in the President's program to control inflation and to revive the Nation's economy. Moreover, in relative terms the programs authorized under Chapter 1 remain one of the highest priorities within the proposed Foundation, accounting for about 22 percent of its total 1983 request.

In making the choices on where to cut the budget, we attempted to spread the burden as fairly as possible among the various beneficiaries of our programs while still reflecting priority areas. Although these budget reductions cannot be achieved without pain, we believe it is necessary to press forward with our efforts in order to restore the economic health of the country.

We do not believe that the proposed reduction for Chapter 1 must necessarily result in a decrease in the number of children served or the quality of services provided. State and local educational agencies will seek more cost-effective ways of providing compensatory education services as a means of offsetting the reduced Federal contribution. The proposed Foundation will continue to identify and disseminate such cost-effective projects, especially those that emphasize instruction in basic skills and have a low cost per child.

FEDERAL AUDITS

Senator Specter: Do you believe there was sufficient authority in Chapters 1 and 2 of the Education Consolidation and Improvement Act to allow for Federal audits and recovery of money or is a technical amendment desirable?

Answer: We believe the following statutory provisions grant the Department sufficient authority to audit and to recover funds received under Chapters 1 and 2 of the Education Consolidation and Improvement Act of 1981:

Section 555(d) of Chapter 1;
Section 564(a)(6) of Chapter 2;
Section 1744 of the Omnibus Budget Reconciliation Act of 1981;
Sections 3, 4, and 6 of the Inspector General Act of 1978; and
Section 202 of the Intergovernmental Cooperation Act of 1968.

Senator Specter: Given past difficulties with audits, the Department of Education is now taking the stance that each State should set its own standards. Doesn't it seem more logical to establish a standard across the Nation, rather than having fifty different standards for audits?

Answer: In addition to any audits that the Department may conduct, States are required to conduct audits of the Chapter 1 and Chapter 2 funds they receive. According to the audit requirements in both chapters, States must conduct these audits in accordance with the standards established by the Comptroller General. These standards include: Standards for Audit of Governmental Organization, Programs, Activities, and Functions; the Guidelines for Financial and Compliance Audits of Federally Assisted Programs; any compliance supplements approved by the Office of Management and Budget (OMB); and generally accepted auditing standards established by the American Institute of Certified Public Accountants. We believe that, if States adhere to these standards, there will be sufficient uniformity among States to eliminate past audit difficulites.

CHAPTER 1 MIGRANT EDUCATION PROGRAM

Senator Specter: What criteria were used by the Administration in cutting the budget for migrant education programs? In the past, funding was based on the actual number of migrant youths served. Does the 50 percent cut in funds imply that only half the migrant student population is in need of assistance?

Answer: In reducing the total fiscal year 1983 request for Chapter 1 from $2,358,240,000 under the revised 1982 request to $1,942,000,000 in 1983, each component within Chapter 1 (including the State Agency Migrant program) was reduced by 17.6 percent.

Establishment of a specific level for the State Agency Migrant program ($167,012,000 in fiscal 1983) follows the policy, which has been in effect since fiscal year 1980, of funding all the Chapter 1 (Title I) State agency programs at less than their full authorization. The Department proposed to continue funding the State agency programs at less than full authorization in fiscal 1983 in order to allow more funds to flow to local school districts under the Chapter 1 Basic Grants program.

HIGH SCHOOL EQUIVALENCY AND COLLEGE ASSISTANCE MIGRANT PROGRAMS

Senator Specter: The Migrant High School Equivalency Program and The College Assistance Migrant Program help high school dropouts obtain general equivalency diplomas, and assists migrant students on college campuses, respectively. Although they are small programs, they served to encourage disadvantaged students to continue and complete their education. What are the Department's intentions in regard to these programs?

Answer: The Department has requested no funds for the High School Equivalency Program (HEP) and the College Assistance Migrant Program (CAMP) for fiscal 1983.

HEP and CAMP are extremely expensive relative to the number of students served. In 1981 these two programs served a total of 2,811 students at an average cost to the Federal government of $2,598 per student.

Other programs within the Department provide similar services at a much lower cost. For example the Adult Education program provides support for services to disadvantaged adults who are beyond the age of coumpulsory school attendence. These services are similar to those provided by HEP in as much as they help recipients develop basic academic skills and complete their high school equivalency examination. The cost of the progam to the Federal government in fiscal 1981 stood at $45 per student. Although this program is proposed for consolidation with the Vocational Education program, we believe that States will continue providing these services to dsadvantaged adults.

Two activities under Special Programs for the Disadvantaged (TRIO) in the Higher and Continuing Education account provide the same type of services as CAMP. The Upward Bound program funds projects that generate skills and motivation for success in education beyond high school for economically disadvantaged students. The average cost per student to the Federal government for that program in 1981 was $450. Likewise the Special Services program funds projects that provide tutoring, academic counseling, and other special services to assist disadvantaged students in completing their college studies. The average cost per student in 1981 for this program was $420.

IMPACT OF PROPOSED CHAPTER I REDUCTIONS

Question: In recent years, Title I funds have only been able to serve more than roughly one-half of the educationally deprived children in this Nation. Given your stated budget objective to provide Federal aid to those most in need, what rationale is there for your proposal to meet an even smaller share of this great need?

Answer: Despite the proposed budget reduction and the favorable evaluation results, we do not believe that the 1983 Chapter 1 budget request will necessarily result in a decrease in the quality of services provided or in the number of children served. State and local education agencies will seek more cost-effective ways of providing compensatory education services as a means of offsetting the reduced Federal contribution. The proposed Foundation for Education Assistance will continue to identify and disseminate such cost-effective projects, especially those that emphasize instruction in basic skills and have a low cost per child.

We have identified at least a dozen exemplary Chapter 1 (Title I) projects that have a relatively low cost per child (ranging from $220 to $567). These projects have been shown to work and are available for dissemination and use by other school systems.

After 15 years of operation the Chapter 1 program has moved beyond the stage of having to develop compensatory education programs that work. Proven approaches for providing compensatory education services are available which school districts can implement at a much lower cost.

TITLE I EVALUATION RESULTS

Question: Since 1965, the goals of the Title I program have been to help educationally deprived children raise their achievement levels in school. In fiscal year 1982, the Congress appropriated approximately $2.9 billion for Title I, an amount at least $300 million below the fiscal year 1980 level. Yet the President is proposing an additional $411 million rescission for 1982 and a fiscal year level amounting to $1 billion below the 1982 enacted level for Title I services.

Evaluation information from a wide variety of sources -- the National Institute of Education, the Sustaining Effects Study, the National Assesment of Education progress, as well as State and local program evaluations -- clearly indicates that the Title I program has a positive impact on pupil achievement. You indicate agreement with this assessment in your justifications.

In general, can you summarize for us recent evaluations and findings regarding the success and sustaining effects of Title I instruction on disadvantaged youngsters? For example, how do Title I students fare in reading and math as compared with similar non-Title I students?

Answer: Recent studies show that, while they are in the program, students make considerable achievement gains during the school year. These gains are greater than those realized by children not participating in the program. For example:

- NIE's Congressionally-mandated study of Title I instruction shows that first and third graders, gathered from a sample of 400 classrooms, made substantial gains in reading and mathematics.

- An Office of Education sponsored study carried out by the Educational Testing Service and RMC Research Cooperation showed that a nationally representative sample of children in grades two, four, and six tended to maintain their academic position relative to their more advantaged peers and in some cases even caught up with non-compensatory students between fall and spring of the school year. Without compensatory assistance, disadvantaged students fell further behind.

- Title I schools in the Los Angeles Unified School district show specific improvement in reading and math achievement scores. Average reading scores increased from the 25th percentile in 1972 to the 31st percentile in 1976. Average percentile rankings in math increased from 21 to 36 during the same period.

An interim report released in November 1981 on the Sustaining Effects of Compensatory Education confirms many of the earlier successes of the program. Findings from the first six years of that study are highlighted below:

- In 1976, 68 percent of the Nation's public elementary schools were offering Title I programs, including 90 percent of those with half or more of their students from poor families and 84 percent of those with half or more of their students reading a year or more behind their peers.
- Of the approximately 4,967,000 youngsters in grades 1-6 scoring in the bottom quartile of the achievement distribution nationwide, about 1,579,000 or 32 percent were participating in Title I.
- Instructional resources devoted to a Title I child's reading or math program are about 1 1/2 times those available to noncompensatory students in those subjects.
- Of the 214 Title I districts in the Sustaining Effects Study, 114 or 53 percent were providing services to non-public students in 1976-77 with a per-pupil Title I expenditure comparable to that for the public school students.
- Title I students progressed over the course of a school year more than would be expected for them without the program in grades 1-6 in math and 1-3 (but not 4-6) in reading.
- Title I effects were found to persist over the next summer and school year even after services had ended.
- Several factors were found to be related to the one-year student gains. These were greater teacher experience, greater amounts of regular instruction, work with a tutor, lack of disruptions to instruction, frequent feedback on student progress, and teacher effort in planning and evaluation. (More detail on long-term gains and classroom practices will be available in later reports which will become available over the next year.)

RESTRICTION ON ADMINISTRATIVE FUNDS

Question: We have been most concerned that the States implementing the Block Grants will use the funds to maintain layers of local administration at the expense of cutting back on providers and essential services. What are you doing to prevent such a development?

Answer: In our contacts with State education agencies, we emphasize the Congressional intent in enacting Chapter 2 of the Education Consolidation and Improvement Act to reduce the administrative and paperwork burden imposed on schools at the expense of their ability to educate children. This information is also included in the preamble to the proposed Chapter 2 regulations.

We are also aware that many State education agencies are reducing administrative staffs since the numbers of people necessary to administer Chapter 2 is less than the number required to administer the individual categorical programs.

Question: What instructions, if any, do you give the States to prevent the bureaucrats from taking away service and provider money?

Answer: The Department of Education cannot instruct the States and local educational agencies on how to use their funds. This was not provided for in the basic law. However, since the law requires that State and local educational agencies not use Chapter 2 funds to supplant funds from non-Federal sources, States are being advised that only a "restricted", or lower, indirect cost rate may be used for administrative costs.

Question: What report or bill language would assure that money for services is maximized -- and money for overhead is minimized?

Answer: We believe the statute is adequate and it is not necessary to have report or bill language to assure that money for services is maximized and money for overhead is minimized.

SECRETARY'S DISCRETIONARY FUND

Question: In establishing the block grant, the Congress provided a six percent set-aside for the Secretary's Discretionary Fund. After funding the three legislatively established priorities, 1) the Inexpensive Book Distribution Program, 2) Arts for the Handicapped and 3) Alcohol and Drug Abuse Education, the Secretary may use remaining discretionary funds for any of his own priority areas. Roughly $17.5 million would remain for your discretionary projects. How do you plan to use the remaining $17.5 million in the discretionary fund?

Answer: The Secretary's Discretionary Fund provides limited resources for activities that address national priorities rather than State or local concerns. In fiscal year 1982 most of the funds will support continuation of existing program activities in the National Diffusion Program and in Educational Television and Technology with minimum resources for new initiatives.

Question: Please provide for the record a detailed breakdown of the Secretary's Discretionary Fund.

Answer: Our preliminary plans at the 1982 level of $17.5 million are to provide about $10.3 million to the National Diffusion Program, $ 6.7 million for Educational Television and Technology, and $500,000 for other initiatives, including the Secretary's Commission on Excellence in Education. The final distribution of the funds may be slightly different depending on the Secretary's priorities.

BLOCK GRANT REQUIREMENTS

Question: What assurances does the Department have that block grant funds will be used for legislatively authorized activities?

Answer: The Education Consolidation and Improvement Act requires that both State and local education agencies provide assurances in their respective applications that they will comply with the provisions of Chapter 2, and will keep such records as may be required for financial and compliance audits. Also, State education agencies are required to conduct financial and compliance audits of Chapter 2 funds every two years.

Question: What types of reports will the Department require of the States before subsequent year allocations can be made?

Answer: A State application is the only report which the statute requires a State to submit to the Secretary. The Department will not require any other reports from the States before subsequent year allocations can be made.

Question: To what extent do private schools participate in block grant activities?

Answer: Private school children participate in block grant services on an equitable basis with public school children. They are included in the number of children counted for purposes of determining allocation of block grant funds by the State to the school district, and must receive services, materials, and equipment or other benefits to ensure equitable participation. Equitable participation can be equal funding, services on a equitable basis, same services, or different services if the needs are different. The State must make special arrangements to provide funds to private schools in districts which do not choose to apply for block grant funds.

Since the block grant has not yet been implemented, we do not have information on actual private school participation. States are required to include in their State plans the planned allocation to private schools of the State's share of the block grant funds but not for the local districts' share. Local districts include information on the number of private school students in their plans submitted to the State, but this information is not required to be provided to the Department. We plan to investigate the extent of private school participation in the proposed evaluation study, to be funded under Special Purpose Funds.

However, based on review of programs similar to the block grant -- in particular Title IV-B, School Libraries and Instructional Resources -- we believe that there will be a high rate of participation and that this will not involve a large proportion of block grant funds. Title IV-B had the highest private school participation rate of any Department program, and its requirements for participation and its formula for funds distribution were the same as the block grant.

Under Title IV-B, about 8 percent of total funds available were used for services to private schools, and about 86 percent of private schools participated. It is not likely that participation under the block grant will be much higher than Title IV-B. It should be noted that adjustments for higher cost children under the block grant could be much greater than those under Title IV-B, and could reduce the funds provided to private schools, although not the extent of their participation.

WOMEN'S EDUCATIONAL EQUITY

Question: To what extent has the Women''s Educational Equity Program helped to eliminate barriers to equal educational opportunities for women and girls?

Answer: The Women's Educational Equity Act Program has funded over 400 grants since its inception in 1976. It has concentrated on funding the development of model programs and products which can be easily replicated and disseminated for use in various educational settings. There are currently available a multitude of training materials, educational approaches to sex equity, and community involvement models that can be used by both State and local educational agencies which are either developing or implementing sex equity programs.

The Women's Educational Equity Act Publishing Center provides a catalog of print and audiovisual products designed to address the needs of women and girls of all racial and ethnic background. For example, in the area of Sex Stereotyping in Education, the following modules -- consisting of audiotape cassette, instruction sheet, handouts for participants, a bibliography, and transparency masters -- are available for inservice training:

- Girl, Boy or Person: Beyond Sex Differences
- Sex Stereotyping in Math Doesn't Add Up
- Equality in Science: Formula for Changing Sex Bias
- Present But Not Accounted For: Women in Educational History
- Reading, Writing, and Stereotyping
- We the People: Sex Bias in American History
- Exercising Your Rights: Elementary Sex Bias in Physical Education
- Repainting the Sexist Picture: Stereotyping in the Fine Arts
- Business as Unsual: Sex Stereotyping in Business Education
- A New Beginning: Eliminating Sex Stereotyping in Early Childhood Education
- Diagnosing the Problem: Sex Stereotyping in Special Education
- Write Me In: Stereotyping in Curriculum
- Sex Bias in Research and Measurement: A Type III Error

Past WEEA appropriations have concentrated considerable resources on particular equity-related interest areas. For example, the following areas have received funding as follows:

	Period of Operation	Number of Projects	Funding Funding
Sex stereotyping	1979-1981	34	$4,225,929
Career awareness	1979-1981	14	4,719,808
Co-ed physical education	1980-1981	5	1,495,314
Community mobilization campaigns	1980-1981	3	1,231,416
Legal training	1978-1981	2	890,264
Health services	1980-1981	2	337,504

While we recognize that barriers to achieving equal educational opportunity for women, still remain, we believe that the Women's Educational Equity program and other programs have produced sufficient materials and models that future developmental and implementation activities can be left to the States. Under broad authorities in the Chapter 2 block grant, most activities can be continued or implemented in new districts, so Federal funding remains available, at the discretion of States and local school districts. The Federal role will remain in the area of compliance with civil rights laws and in research and dissemination.

FOLLOW THROUGH

Question: Last year's reconciliation act authorizes a phase-in of Follow Through into the Block Grant by the end of 1984. Why does the budget ignore the phase-in and instead eliminate by rescission federal suport for Follow Through in fiscal year 1982?

Answer: The Follow Through program has been in existence since 1970. A variety of models for improving eductional achievement of disadvantaged students in grades one through three were developed and testing during the early and middle 1970's. Many of the successful projects subsequently received approval by the Department of Education's Joint Dissemination Review Panel. However, since 1972 no new local school district projects have been added; the same districts are receiving funding for what are now straightforward service projects.

Based on the priority to direct limited Federal funds to programs which provide maximum flexibility to States, such as the State block grant, and since a variety of materials and models are available as products from this program, the termination of the Follow Through program is sought. States and school districts are explicitly authorized to use their Chapter 2 block grant funds for Follow Through activities, so projects which meet priority local needs should be able to be continued.

Question: What is the average per pupil expenditure under the Follow Through program?

Answer: Based on service to approximately 37,000 students in 1981, the per pupil expenditure is $643.

Question: Why is it so much higher that the expenditures for Title I?

Answer: The per pupil expenditure is higher than the Title I program because the Follow Through program supports services for the entire school day instead of a portion of the day. In addition to the educational program, comprehensive services are provided for the health, social, and nutritional needs of each participant.

FISCAL YEAR 1982 RESCISSIONS

Question: The Department proposes to eliminate funding for a number of special programs by rescission in FY 1982 -- and then propose no funding for these programs in fiscal year 1983. For such programs as Follow-through, Civil Rights Training and Advisory Services, Biomedical Sciences, Women's Educational Equity, Aid to the Virgin Islands, and Law-related Education -- will you be proposing legislation to fold the programs into the block grant beginning in fiscal year 1982?

Answer: No. Some of these programs are fully incorporated into the block grant (Career Education, Biomedical Sciences, and in the Chapter 2 block grant, most activities can be continued or implemented in new districts, so Federal funding remains available, at the discretion of States and local school districts. The Federal role will remain in the area of compliance with civil rights laws and in research and dissemination.

IMPACT AID -- "b" PAYMENTS

Senator Andrews: The President wants to eliminate funding for all "b" students for impact aid. This is something which is going to affect my State, as well as others. I'd like to hear some of the facts and the reasoning behind this proposal.

Answer: We are proposing the elimination of payments for "b" children in 1983 because of the limited resources available for this program. We believe the Federal Government has a greater responsibility for "a" children than for "b" children and therefore we want to target what funds there are on "a" children.

Unlike the parents of "a" children, the parents of "b" children contribute most of the tax resources for the support of public education that the parents of non-federally-connected children do. The formula contained in the Continuing Resolution for 1982 will result in a decrease of payments for "b" children by approximately two-thirds from 1981 to 1982, a greater rate of reduction than that contained in the Reconciliation Act. Thus, Congressional action has resulted in substantially phasing out "b" payments, and we are taking this one step further in eliminating them. Since the elimination of "b" payments has been proposed repeatedly, this should not catch any school districts unprepared.

Senator Andrews: Where do these school districts get the money to educate these students if federal funding is eliminated?

Answer: The parents of "b" children contribute most of the tax resources that the parents of non-federally connected children do. In most cases, these children do not represent a significant burden to their school districts. Since the elimination of these payments has been proposed year after year, and these payments have been declining in recent years, the school districts should have been prepared for this eventuality.

Senator Andrews: If the Administration's Defense Budget goes through, there will probably be more people in the military and, therefore, more military children. How do you think this will affect the Impact Aid program?

Answer: If the children are "a" children, they would become part of the Federal responsibility. However, we have no way of knowing at this time how many such children there will be, where they will be, or when they will become federally-connected children. It is, therefore, impossible to predict such effects from increases in military spending.

TRANSFER PROPOSALS

Question: The few details of the Foundation proposal that have reached the Hill indicate the Impact Aid program would shift to the Department of the Treasury. Why was it decided not to keep Impact Aid in the Foundation?

Answer: As part of the Administation's efforts to reduce the size and cost of the Federal Government, those programs which are similar in type or purpose to programs in other agencies are proposed for transfer. This will result in more efficient operation of those programs and elimination of duplicative services, positions, and expenditures.

PAYMENTS FOR "a" CHILDREN

Question: Mr. Secretary, you are from a Western State, so I know you will understand the problem I'm about to discuss.

Mr. Secretary, reasonable men may, I believe, differ as to the proper role of the Federal Government in higher education, education for the disadvantaged or handicapped, or a number of other areas. But for Impact Aid, particularly category "a" students, whose parents both live and work on Federal property, I believe there is a clear Federal responsibility to reimburse school districts for the costs resulting from federally-connected children. Do you agree that the Federal Government has a clear role to provide funds for "a" category children?

Answer: We do believe the costs of educating "a" children are a shared responsibility of Federal, State and local governments.

Question: Do you believe that your fiscal 1983 budget is sufficient to meet this Federal responsibility?

Answer: The level of funding set for Impact Aid in 1983 was dictated by the total budget for the Department and the priorities set among programs in the Department. In order to achieve the goals of the President's Economic Recovery Program, this lower level is necessary. It is our hope that a lower rate of inflation will be achieved, thereby lessening the effects of the reduction in funding.

CONSTRUCTION

Question: The budget requests no funds for Impact Aid construction on Indian lands. The budget states that funds are requested for repairs only on military facilities. Do you mean to imply by this that construction on Indian lands is not a Federal responsibility? Whose responsibility is it?

Answer: The lack of funding request for construction on Indian lands in 1983 is not meant as an indication that such activities are not a Federal responsibility. It is a reflection of the need to reduce Federal Government expenditures as part of the President's Program for Economic Recovery. It is intended as a temporary measure until the condition of the economy is improved.

The Federal Government has a direct responsibility for the safety of school buildings located on Federal property and that is why we requested funds for the activity that provides for emergency repairs to such buildings. While Impact Aid Construction funds provide for all or part of the construction of school buildings on Indian lands or other local property, those buildings then become the responsibility of the local educational agencies and are owned by them.

Question: In fiscal 1982, how much will be obligated for construction on Indian lands?

Answer: The 1982 Continuing Resolution contains $8,160,000 for construction on Indian lands. We intend to obligate all of these funds.

Question: What mechanism do you propose to finance needed construction on Indian lands?

Answer: In 1983, construction on Indian lands will have to be financed from local, State, or Federal funds other than Impact Aid, or postponed until such time as Impact Aid funds are available.

PROPOSED TUITION CHARGES

Question: The State of Virginia has enacted legislation to charge tuition fees for children of military personnel who attend public school. The Committee understands that a number of other States, such as Hawaii, are considering legislation to charge similar fees. These actions reflect the fact that States feel they are not being sufficiently reimbursed by the Federal Government for the cost of educating children of military personnel. In the face of these State actions, how do you rationalize further reducing category "a" payments?

Answer: The reductions in Impact Aid, as in other programs, are necessary to achieve the goals of the President's Economic Recovery Program. These are intended as temporary measures to bring inflation under control, and the long-term benefits are expected to far outweigh the effects of the immediate adjustments required.

Question: How are school districts supposed to make up for costs associated with children whose parents both live and work on Federal property?

Answer: Payments will be made in 1983 for children who live and whose parents work on Federal property or are in the uniformed services, although at a rate below the additional cost of educating such children. The officials of school districts which will have difficulties absorbing the reductions in funding will have to make conscious efforts to avail themselves of all possible alternative sources of funding. Also, they will have to look carefully at their spending patterns and priorities and make adjustments where possible to effect savings. It is important to bear in mind that this is a temporary situation. Any reduction in inflation achieved will result in those funds received stretching further. The achievement of the goals of the President's Economic Recovery Program will have benefits reaching far beyond the temporary difficulties.

Question: How many States do you know of that are considering legislation similar to that enacted in Virginia? Which ones?

Answer: In addition to Virginia, there are 12 States that we know of which have enacted or are considering legislation that would allow them to charge tuition for federally-connected children or redistrict Federal property into separate school districts. They are: Hawaii, Delaware, New Hampshire, New York (an Attorney

General's opinion with the effect of legislation), North Carolina, Nebraska, Pennsylvania, Oklahoma, Connecticut, Rhode Island, New Jersey, and Louisiana.

PAYMENTS FOR INDIAN CHILDREN

Question: The Labor-HHS-Education Subcommittee is very concerned about the plight of the poor, underserved, Indian school districts under this budget. Many Indian school districts have few, if any, resources available to help pay for educational costs in public schools; and even if they do, Indian land, by law and treaty, cannot be taxed. In States with a lot of Indian land, Federal Impact Aid payments are crucial. In my own State of New Mexico, under your proposed budget, federal payments would drop from $22 million to $16.8 million. Of course, New Mexico has a State equalization formula, which would shift the burden of reduced Federal payments to the State Treasury. In many communities with Indian lands, the local tax base is already stretched to the limit. How are such districts supposed to compensate for the reduced Federal aid you recommend?

Answer: Until the state of the economy improves, these districts must take what measures are necessary to reduce their funding requirements to match the limited resources available. They will have to seek funds from all other possible sources, and they will have to review their priorities to see which can be adjusted to reduce expenditures. Improvements in the economy will increase the value of available funds and allow for increased levels of funding in the future.

Question: In the case of States like New Mexico, do you believe that shifting costs to the State is justifiable?

Answer: The condition of the national deficit is of such a serious nature that the temporary reduction in funds is warranted. A number of States, including New Mexico, have a much better financial status than the national government; a few of them are predicting a surplus of funds at the end of the fiscal year. The results hoped for from the reductions in spending at the Federal level will extend to all levels of government to the benefit of all citizens.

SPECIAL EDUCATION OVERCLASSIFICATION AND MISCLASSIFICATION

Question: Last September, the General Accounting Office issued a report "Disparities Still Exist in Who Gets Special Education." This report indicated that there appears to be "a disproportionate share of minority children in some special education programs and also overclassification of males, particularly in classes for the emotionally disturbed and learning disabled." GAO also noted that no serious investigation had been done to study the nature, extent, and impact of overlap between ESEA Title I and Title VII, and Public Law 94-142, handicapped State grants. What guidance and technical assistance does the Department provide to help school districts avoid overclassification of certain groups of children?

Answer: We have funded a number of studies to attempt to develop assessment procedures which will more carefully guard against overclassification of minority children. The Department is presently planning a major initiative to work with States to help them reduce the number of misclassified minority children. Recently released Office of Civil Rights data will be shared with States and technical assistance offered to develop solutions. Other facets of this new initiative are still in the developmental stage, but the Department does recognize this serious problem and is planning new strategies to combat it.

PROGRAM OVERLAP

Question: To what extent do you believe that there is considerable overlap between Title I, education for the disadvantaged, and the education for the handicapped program?

Answer: The degree of overlap between ESEA Title I and the education for the handicapped program is not known.

Question: What steps does the Department take to try to prevent duplication and overlap between these programs?

Answer: In its report, the General Accounting Office states that the issue of overlap among these three programs "is important because students who are identified as handicapped and also are eligible for title I or title VII services do not necessarily receive all services..." They "may receive services and be counted under the title I or VII programs rather than Public Law 94-142," thus limiting the available services. There are procedures in Public Law 94-142 for ensuring that such overlap does not result in a student being denied needed services. Public Law 94-142 requires active child find procedures at the State and local levels to identify all handicapped children. Once identified and determined to be handicapped, that child must receive appropriate special education and related services to meet his or her unique needs. If a child has a need for services provided by Titles I or VII in order to benefit from special education, these must be provided. Therefore, although there may or may not be considerable overlap among these programs, there is no reason to believe that such overlap results in denial of services.

Question: Does the Department have any plans to conduct such a study?

Answer: We do not plan to conduct such a study in the near future.

HANDICAPPED BLOCK GRANT FUNDING LEVEL

Question: The budget estimate for the State grants portion of the proposed block grant is $771 million. This is a significant reduction from the roughly $1.1 billion currently available. This would reduce the Federal commitment to these programs by 30 percent. Why are you reducing support for these programs by 30 percent? Why so much?

Answer: The Administration is committed to continuing efforts to reduce the deficit and slow inflation through reductions in Federal Government spending. The reduction represents these programs fair share of the required budget reductions, and takes into consideration the needs of handicapped children and the need for fiscal restraint during this period of economic recovery, while at the same time recognizing that education is primarily a State and local responsibility.

HANDICAPPED ADMINISTRATION LIMITATION

Question: How much of this total may be used by States for administration?

Answer: We are considering retention of the provision in existing law which limits administrative costs to no more than 5 percent of the funds made available to the States.

HANDICAPPED SPECIAL PURPOSE FUND

Question: In fiscal 1982, Congress provided $87 million for all the non-State grant categorical programs. The Administration is proposing to lump all of these together in a special purpose fund with a budget request of $73.7 million, a $13 million reduction. In addition, your budget justification states, "Federal support for those service activities which are most appropriately conducted by State and local education agencies will be discontinued." Which activities do you plan to discontinue?

Answer: The proposed special purpose fund will include all of the discretionary program authorities which are currently funded under the Education of the Handicapped Act. We intend to continue most of these activities in fiscal year 1983. Those programs which support States' efforts to serve handicapped children will be maintained at their fiscal year 1982 level or will be increased, whereas those programs which provide direct services or which provide services which can be best provided by other levels of government will be reduced or eliminated. Specifically, we are examining the need to continue providing financial support for the service component of deaf-blind centers and regional resource centers. A final decision with respect to these programs has not yet been made.

Question: What criteria do you use to determine which activities are "most appropriately conducted by State and local" school districts? How are these criteria developed?

Answer: It is the primary responsibility of State and local education agencies to provide direct education to handicapped children. Activities which focus on the direct provision of services are therefore most appropriately conducted at State and local levels. Also, efforts which are closely related to the ongoing State requirements to provide these services might also be considered in this category. For example, inservice training is viewed primarily as a State and local responsibility and therefore most appropriately funded at State and local levels. A primary consideration in determining whether something is appropriately conducted at the State or local level as opposed to the Federal level is the effectiveness and efficiency with which the function can be performed. Research, demonstration, technical assistance, or services to small target populations are examples of Federal role activities.

HANDICAPPED BLOCK GRANTS

Question: The Administration's proposal for the handicapped block grant proposes a two-part block, one part for State grants, the other for special purpose funds. For the State grants section of the block, you are recommending we lump together the handicapped State grant program, the preschool incentive grant program, and the Title I handicapped program. Would there be any requirement that States spend the same proportion of funds in the future, as they have spent in previous years for these separate program purposes?

Answer: One of the primary reasons for the blocking of these programs is to provide the States with increased flexibility to target funds on those activities which they consider to be of greatest importance. As it is currently being considered, there would be no requirement under the proposed legislation to require the States to continue funding of activities in proportion to the levels of support which were provided in prior years.

Question: Would States have any restrictions at all on the use of these funds?

Answer: States would continue to be required to use these funds for the education of handicapped children. In addition some other limitations are under consideration such as limiting administrative expenses to 5 percent of the total funds available to the State and requiring that at least 75 percent of the funds be passed through to local education agencies and State agencies providing direct services.

HANDICAPPED PROPOSED LEGISLATION

Question: My constituents have been writing to me expressing grave concern over the Administration's proposed changes in P.L. 94-142, the Education for All Handicapped Children Act. They believe that any changes in this law would bring about a significant regression in the progress that has been made over the years in mainstreaming handicapped students into public school classrooms. Will you explain the plans the Administration has for education of handicapped children and how P.L. 94-142 would be changed to enact these proposals?

Answer: The goal of the proposed amendments to Public Law 94-142 is to improve the administration of handicapped programs and to relieve the burden imposed on States and local school districts, while retaining those protections which are essential to ensure handicapped children equal access to educational opportunities. This will be accomplished by simplifying administrative requirements and giving State and local agencies increased flexibility in providing services. The proposed amendments are still under discussion at this time, however, alternative proposals regarding the mainstreaming requirement have focused on clarifying the application of mainstreaming to provide more flexibility in determining appropriate placements.

Question: What will happen to these handicapped children as far as education is concerned?

Answer: The proposed amendments should lead to improved education of handicapped children in general, based on State and local standards. With regard to mainstreaming specifically, the proposed amendments will make it clear that it is appropriate to take account of the educational needs of non-handicapped children when choosing an appropriate placement, especially where mainstreaming would create a serious disruption in the regular classroom. This clarification should improve the education of handicapped children by avoiding the placement of children in classrooms where their needs cannot be adequately met within the class structure, and at the same time improve the education of non-handicapped students.

HANDICAPPED REVISED REGULATIONS

Question: It was recently discovered that Joe Beard, an attorney in your department, sent a memo to Tom Anderson, one of your special counsels. In this March 30th memo, Beard refers to the proposed changes the Administration would like to make in handicapped education. Realizing Congress will not go with these changes, Mr. Beard recommends to Mr. Anderson to send the program to Congress a piece at a time --- this way certain parts will not kill off other parts and there will be separate votes. The memo continues with Beard saying that Congress may not fall for this trick and may react negatively. What was your reaction to this memo and what repercussions have occurred because of this memo?

Answer: Please be assured that any changes this Department proposes in regulations implementing the Education of the Handicapped Act will be consistent with the statute and will protect the interests of these children. As you know, we are interested in providing flexibility to States and to localities in meeting their obligations under the law as they seek to serve the educational needs of handicapped children. Such flexibility, in our view, will result in better service for the needs of handicapped students. We are committed to providing such flexibility in a manner consistent with the law.

Moreover, this Department has never had any intention of sending these proposals to Congress in a piecemeal fashion. Once they are ready for transmittal to Congress, they will be sent in their entirety. We firmly believe that any proposal we send to Congress will be supported by Congress.

IMPACT OF VOCATIONAL REHABILITATION RESCISSION

Question: For the first half of fiscal 1982, the States have been receiving funding based on the continuing resolution level of $863 million for vocational rehabilitation Basic State Grants. Your proposed rescission would force a cutback of $91 million in the last six months of the fiscal year, which would appear to cause severe disruption in State agency operations. Can you give us assurance that States will not be required to cancel vocational training and other rehabilitation services currently in progress, so that individuals now enrolled will not be adversely affected?

Answer: In the past when funding levels were reduced, States have followed a practice of serving those people in the program and curtailing the intake of new clients. This practice appears to be continuing based on Order of Selection plans we have reviewed this year. Order of Selection is a system States use when funds are not available to serve all eligible referrals. The plans call for serving those already in the program, with priority to the severely disabled. They also encourage providing services to those people who can be served without additional funds to purchase services. This, plus the greater use of similar benefits from private and other public sources, is expected to permit each dollar appropriated in the rehabilitation program to be better utilized and to ensure that the most needy of the disabled population continue to receive services.

Question: Can't you delay forcing States to undergo severe cutbacks, since failure to act on your rescission could require you to spend those funds anyway by the end of April?

Answer: We believe the States should have contingency plans when a rescission proposal is pending action by the Congress. Since the proposed rescission for the Basic State Grant program was not approved, States can expect to receive the entire $863 million made available under the continuing resolution.

VR--SHIFT FROM EDUCATION TO HHS

Question: The Administration proposes shifting vocational rehabilitation programs from the Department of Education to the Department of Health and Human Services. Since the fiscal year 1983 budget assumes rehabilitation programs will be in HHS, which Department is now in charge of planning for fiscal 1983 activities?

Answer: Until such time as the proposed transfer is enacted, the Department of Education will continue to be responsible for planning fiscal year 1983 activities concerning vocational rehabilitation programs.

Question: Until Congress approves the proposed transfer, will Federal management control over rehabilitation programs remain in the Department of Education?

Answer: Yes, Federal management control over these programs will remain in the Department of Education.

ADULT EDUCATION REDUCTIONS

Senator Specter: Are you aware, Secretary Bell, that for every $1 million reduction in Adult Education funding, services to 10,000 people are eliminated (source: President's National Advisory Council on Adult Education). In 43 percent of the cases, individuals will seek some form of public assistance (source: Impact Study of the State Directors of Adult Education) at a minimum cash transfer of $2000 in assistance each year. This would cost an estimated $8.6 million in government funds. How can such a budgetary proposal be considered cost effective?

In 1980 more than two million adults participated in these education programs. Among these participants, 88,600 found work, while 115,000 succeeded in being upgraded to a better job, as a result of their participation in the program. In Pennsylvania alone, more than $18 million of income was generated from a program that cost $5.6 million. How do you justify curtailing funding to a program that has that kind of record of fostering human productivity and increasing economic productivity?

Answer: I agree with you that the adult education program can have important economic benefits and that some support for these programs should remain a national priority. These considerations form the basis for our vocational and adult education consolidation proposal. The proposal would encourage greater cooperation between the vocational education and adult education programs, so that the needy participants receive instruction in both basic academic and more applied occupational skills. This should enhance the value of the adult education program in contributing to increased employment and productivity. Under the consolidation bill, the Federal commitment to adult basic education would be preserved by a requirement that the States use at least 13 percent of their block grant funds for those services.

The recommended reduction in funding for these programs is part of the President's overall program calling for spending reductions in all areas of the domestic budget. Because of the recent growth in non-Federal support for adult education, we hope that this reduction can be accomplished with little harm to the delivery of services. Elimination of administrative requirements, which would result from enactment of the consolidation bill, would also counteract the effects of the funding reduction by permitting States to use more of the money for actual delivery of services.

RATIONALE FOR CONSOLIDATING VOCATIONAL AND ADULT EDUCATION

Senator Specter: On March 10, Secretary Bell, you presented budget figures for the proposed consolidation bill for Adult and Vocational Education. The suggested $500 million provides less money for both programs; futhermore, the assumption is made that these programs serve the same audience. How do you combine a program that addresses children and youth with a program targeted to serving the hard-to-reach adults; how can this be cost-effective when the audience and the delivery systems are separate?

Answer: We see the vocational and adult programs as providing complementary services to often similar populations. Many of the disadvantaged persons who enroll in adult education courses also need some kind of vocational instruction if they are to become productive citizens. The presence of a vocational component can provide the motivation for these people to continue with adult education courses through to completion; it allows them to see the practical applications of literacy and of understanding of basic mathematics.

Similarly, there is often a need for a basic skills component in vocational programs, particularly for many of our disadvantaged students who often complete high school without mastering those skills. They will not succeed in today's world of work unless they have learned the basic skills in addition to the more technical skills.

For these reasons we see a considerable linkage between vocational and adult education. That linkage is clearly recognized in the fourteen States where the two progams are administered in a single agency. In other States the programs are combined at the local level. Our bill would serve as a stimulus for further cooperation between these activities, with the precise mode of administration left to the individual States.

BLOCK GRANT ADMINISTRATION

Question: Some State officials have expressed concern over the selection of the State administrative agency to oversee operation of the Vocational and Adult Education block grant and have asked that the legislation direct which agency should be responsible. They feel that already established entities should be the ones responsible for administering the block, rather than leaving the decision up to the Governor. Do you see the need for legislative direction to indicate which agency should administer the block grant?

Answer: The bill would continue the traditional requirement that the State designate a single agency which would receive the Federal funds and be responsible for submission of the Proposed Use Report. Among the different States a wide variety of mechnisms exist for administration of vocational and adult education programs. We do not feel that it is appropriate for the Federal government to dictate that a certain administrative structure be employed or that a single type of State agency administer the block grant.

VOCATIONAL EDUCATION BLOCK GRANTS: STATE PLANS

Question: Under the consolidation plan, would the Federal government have the authority to disapprove a state plan for use of the vocational and adult education funds under any circumstances?

Answer: By the terms of the Administration's proposed "Vocational and Adult Education Consolidation Act," a simple Proposed Use Report (PUR), would replace all existing required plans. Upon receipt of a PUR, the Department would review it to ensure that all statutory requirements are satisfied. If the PUR satisfies those requirements, the Department would retain it and would award the State its grant. If the Report did not satisfy those requirements, the Department would return it to the State and discuss with the State remedies to the problems noted. After this period of consultation the State could resubmit its suitably modified PUR to the Department. The Department is not authorized to award a grant to a State unless the State has submitted a Proposed Use Report that satisfies the terms of the statute.

VOCATIONAL EDUCATION SET-ASIDES

Question: Your budget documents indicate the Vocational and Adult Education Block Grant would remove those specific Federal requirements and special set-asides which may differ from State and local priorities. Without these Federal program requirements, there is some concern that funding targeted to special groups might be eliminated. Which special groups now protected by statutory set-asides would no longer be guaranteed vocational and adult education services under the newly proposed Administration consolidation?

Answer: The 10 percent set-aside for the handicapped and the 20 percent set-aside for the disadvantaged and limited-English-proficient, now mandated from Subparts 2 and 3 of the Vocational Education Act, would not be continued. However, States would be encouraged to serve these populations and, in their Propose Use Reports, would be required to describe how they will, "use funds awarded under Part B to provide equal educational opportunity in vocational education for all students, including those with special needs such as the educationally disadvantaged, the handicapped, and those with limited English proficiency."

At the national level, the vocational programs for Indians and for the limited-English-proficient would be continued on a discretionary basis.

Question: Which set-asides would not be eliminated?

Answer: The existing set-asides would be terminated. The new Act would require that the States use at least 30 percent of their block grant funds for economic development and skilled workforce training projects, 30 percent for strengthening State and local systems of vocational education, and 13 percent for adult basic education. The latter requirement would ensure continuation of important services to a largely disadvantaged (and often limited-English-proficient) population.

Question: To what extent do you believe that States and localities would continue to support Federal priorities without these requirements?

Answer: The existing set-asides were enacted in order to coerce the States into serving populations that had not received equitable vocational education services in previous years. The VEDS reports and the NIE Study have shown us that these set-asides have largely had the intended effect. In other words, the States are doing a lot more for the handicapped, the disadvantaged, and the limited-English-proficient than they were doing ten or 15 years ago. To a major extent, attention to the special needs populations has become institutionalized in the State vocational education agencies and in the local districts. This concern should not be diminished when the Federal set-asides are eliminated. Thus we believe that special services and programs for the special populations would continue after termination of the set-asides. The requirements in the Proposed Use Report and in the applicable civil rights legislation would provide a continuing measure of Federal concern. The change in the law would give the States flexibility in determining the amount of funding and the types of services that should be targeted at each of the groups.

VOCATIONAL EDUCATION STATE CONTRIBUTIONS

Question: The Department's rationale for cutting vocational education stems from the fact that State and local dollars overmatch Federal dollars by 11 to 1 on the average. Since the overmatch would increase to 16 to 1 under the budget proposal, due to further Federal reductions, will this then become the justification for further Federal cuts in subsequent years?

Answer: If the States and the local governments are able to sustain their existing levels of support, which we hope they will, then the overmatch could go as high as 16 to 1. However, this should not be taken as an argument for additional immediate cuts. If the objectives of the President's economic program are achieved, then reductions of the magnitude proposed for fiscal year 1983 will not be necessary in future years. For the longer term, vocational and adult education will be proposed for "turn-back" to the States under the New Federalism initiative.

VOCATIONAL EDUCATION BUDGET CUTS

Question: To what extent does vocational training reduce unemployment, increase productivity, and contribute to our Nation's reindustrialization effort?

Answer: It is clearly in the national interest to have a skilled and literate workforce. Vocational education has a system in place that can provide the training needed for emerging occupations, new businesses, and a more efficient private sector. Companies have come to recognize the importance of vocational education to their manpower strategies, and an increasing number of firms are working with vocational educators on the development and implementation of training programs. State and local governments have also come to recognize the importance of vocational education to their economic development; the proof of this is in the increased appropriations they have provided. The Federal role in these developments in rather limited: it is to target limited resources on concerns related to economic development and to assist the State and local programs through activities in the areas of research, curriculum development, evaluation, and dissemination.

SEX DISCRIMINATION

Question: How have Federal vocational education funds been used to overcome sex-role stereotyping in occupational education programs?

Answer: Of the funds they receive for Basic Grants, each State must use at least $50,000 to support the activities of full-time sex equity personnel. The activities of these personnel include creating awareness of different vocational programs around the State; gathering, analyzing, and disseminating data on the status of men and women in the vocational programs; and taking actions to correct bias in the programs. Other activities undertaken with Federal funds have included training of teachers and guidance counselors in how to promote sexequity; preparation and dissemination of bias-free teaching materials; and evaluation of programs regarding their sex stereotyping.

Question: What evidence do you have that would suggest the States' willingness to continue anti-sex discrimination activities in vocational education programs without a Federal directive to that effect?

Answer: During the past five years, the Federal contribution has served as seed money for development of sex equity activities in all of the States. Now that these activities are in place, we are confident that the States will continue those activities that they feel are still needed. A required set-aside or separate Federal program is no longer appropriate.

BLOCK GRANT DISCRETIONARY PROGRAMS

Question: How much are you proposing to set aside for vocational and adult education discretionary activities in your Block Grant proposal and for what projects of national importance?

Answer: Under the consolidation bill, the Secretary would be permitted to reserve up to 10 percent of the appropriation to fund

National Programs. These programs may include a national center for research in vocational and adult education, programs for Indian tribes and Indian organizations, programs for the limited-English-proficient, the National Occupational Information Coordinating Committee, and special program improvement projects for meeting national skilled workforce needs.

Question: Would the Secretary determine who receives these funds?

Answer: Yes, the Secretary would determine how much is set aside for National Programs and which activities would be funded.

IMPACT OF STUDENT AID PROPOSALS

Senator Byrd: The Administration is proposing a number of changes in student financial assistance programs. It is estimated that reductions in the Pell Grant program will eliminate about 867,000 students from the program in FY 1983 and that about 160,000 students will be eliminated from the College Work Study program, for a total of about 1 million students.

Have you taken these reductions into account when proposing changes in the Guaranteed Student Loan (GSL) program and what will the impact of these reductions have on GSL's?

Answer: Our overall fiscal year 1983 student aid budget was put together very carefully to preserve access to postsecondary education for all students by targetting aid towards the neediest students while assuming more parental support from middle-income families and increased self-help on the part of students. We therefore do expect increased Guaranteed Student Loan borrowing on the part of parents and students in fiscal year 1983 under our budget proposals. We project total 1983 volume to equal $10.347 billion (4,562,000 loans) compared with a projected $8.707 billion (3,852,000 loans) for 1982. (Note: These figures assumed an April 1, 1982 implementation date for our proposals.)

EFFECT OF BUDGET PROPOSALS

Senator Byrd: The President indicated in his press conference of Saturday, April 10, 1982, that there will be no cuts in Guaranteed Student Loans other than reductions in the administrative costs. Assuming that your Department supplied the data to the President on which he based this statement, would you share that data with the Committee?

Answer: The data given below, which was prepared in February, 1982 in conjunction with our budget proposals, shows that although we are requesting only $2,485 million in fiscal year 1983, compared with a revised budget request of $2,752 million for fiscal year 1982, loan volume will total $10,347 million in 1983 under our proposals compared with a projected $6,707 million in loan volume for 1982. Thus, although federal "administrative" costs for interest subsidies, default claims payments, etc. will decrease, loan volume will actually increase significantly.

GSL Program Data Associated with the Fiscal Year 1983 Budget Request
(Prepared February 16, 1982)

	1981	1982 Revised Budget*	1983 Request*
Funding Data: (in millions)	$ 2,535	$ 2,752	$ 2,485
Impact Data:			
Regular Loans:			
Loan volume (in millions)	$ 7,735	$ 6,255	$ 5,938
Recipients (in thousands)	3,522	2,909	2,816
Average Loan	$ 2,196	$ 2,150	$ 2,109
Auxiliary Loans:			
Loan volume (in millions)	$ 27	$ 2,452	$ 4,409
Recipients (in thousands)	11	943	1,746
Average Loan	$ 2,455	$ 2,600	$ 2,525
Total:			
Loan volume (in millions)	$ 7,762	$ 8,707	$10,347
Recipients (in thousands)	3,533	3,852	4,562
Average loan	$ 2,197	$ 2,260	$ 2,244
Cumulative Outstanding Loan Volume (in millions)	$18,051	$26,097	$32,496

*Assumes an April 1, 1982 implementation date for the budget proposals.

GUARANTEED STUDENT LOAN ELIGIBILITY

Senator Byrd: During fiscal year 1981 approximately 3.34 million students participated in the GSL program for an average loan of $2,192. As a result of the changes in FY 1982, how many students that were eligible for assistance for FY 1981 are not eligible for assistance in FY 1982?

Answer: The Omnibus Reconciliation Act of 1981 modified eligibility requirements for Guaranteed Student Loans to require a "need test" for students with family adjusted gross incomes of $30,000 or above. We estimate that this need test requirement is reducing 1982 loan volume by approximately 10 percent compared with what the volume would have been without the need test. We estimate that the number of recipients in 1982 is being reduced by about 5 percent. This is because the loan eligibility of many students is being reduced, but not eliminated, under the need analysis limitation.

Senator Byrd: Assuming that the Administration's proposals for GSL's are approved for FY 1983, how many students that were eligible for assistance in FY 1982 will not be eligible for GSL's in FY 1983?

Answer: Expansion of need analysis to all borrowers is not expected to result in a significant reduction in loan volume. We believe that it will affect less than 10 percent (that is, approximately 300,000 students) of all borrowers in fiscal year 1983. A very small number--perhaps 100,000--will lose all eligibility for the regular guaranteed loans. The major portion of our projected savings from this proposal results from some borrowers having their loan eligibility slightly reduced, but not eliminated. In particular, it is most likely that students attending low cost schools, who come from small families with adjusted gross incomes over $20,000 would have their loan eligibility reduced. There would not be as much impact on students from large families, especially when more than one dependent student in the family is attending a postsecondary school. There would be no affect on borrowers from low-income families. The intent of this proposal is primarily to control abuse and to improve equity within the GSL program as well as among Title IV programs.

Again, we must emphasize that if cash flow problems limit the ability of the families of affected students to meet the expected family contribution indicated by the need analysis, the parents would be able to borrow under the auxiliary (PLUS) loan aspect of the GSL program to help meet this expectation.

AUXILIARY LOANS

Senator Byrd: The Administration has proposed that the auxiliary loan program become the exclusive source of assistance for all graduate and professional students, and for many undergraduate students as well. Please indicate, by state, how many loans were made under this program in FY 1981 and how many so far in FY 1982.

Answer: The following tables give preliminary data on the number and dollar amount of auxiliary loans to parents in fiscal year 1981 and to parents and students in fiscal year 1982 through April, 1982. Only those states which have actually made auxiliary loans are listed.

RUN DATE: 04/29/82

GUARANTEE AGENCY PLUS PROGRAM --- FY 81 LOAN VOLUME

	PARENTS			STUDENTS [1]			TOTAL PLUS		
	# LOANS	AMOUNT	AVE.	# LOANS	AMOUNT	AVE.	# LOANS	AMOUNT	AVE.
CONNECTICUT	361	1,046,776	2,900	0	0	0	361	1,046,776	2,900
D.C.	356	939,548	2,639	0	0	0	356	939,548	2,639
HAWAII	8	20,462	2,558	0	0	0	8	20,462	2,558
KANSAS	84	177,239	2,110	0	0	0	84	177,239	2,110
LOUISIANA	3	7,240	2,413	0	0	0	3	7,240	2,413
MASSACHUSETTS	4,956	13,096,504	2,643	0	0	0	4,956	13,096,504	2,643
MINNESOTA	284	716,698	2,524	0	0	0	284	716,698	2,524
NEBRASKA	37	81,804	2,211	0	0	0	37	81,804	2,211
NEW JERSEY	3,283	8,736,146	2,661	0	0	0	3,283	8,736,146	2,661
NEW YORK	1,210	3,162,229	2,613	0	0	0	1,210	3,162,229	2,613
PENNSYLVANIA	776	2,071,297	2,669	0	0	0	776	2,071,297	2,669
WEST VIRGINIA	47	113,171	2,408	0	0	0	47	113,171	2,408
WYOMING	16	41,278	2,580	0	0	0	16	41,278	2,580
TOTALS	11,421	30,210,392	2,645	0	0	0	11,421	30,210,392	2,645

NOTES: [1] GRADUATE AND INDEPENDENT UNDERGRADUATE STUDENTS ELIGIBLE FOR PLUS LOANS BEGINNING OCTOBER 1, 1981.
READY

RUN DATE: 05/11/82

GUARANTEE AGENCY PLUS PROGRAM --- FY 82 LOAN VOLUME (1ST 7 MONTHS)

	PARENTS			STUDENTS [1]			TOTAL PLUS		
	# LOANS	AMOUNT	AVE.	# LOANS	AMOUNT	AVE.	# LOANS	AMOUNT	AVE.
ARIZONA	91	208,466	2,291	8	17,185	2,148	99	225,651	2,279
CONNECTICUT	863	2,303,542	2,669	186	408,409	2,196	1,049	2,711,951	2,585
D.C.	346	854,378	2,469	444	1,235,312	2,782	790	2,089,690	2,645
HAWAII	49	121,886	2,487	11	27,840	2,531	60	149,726	2,495
KANSAS	42	88,246	2,101	6	14,300	2,383	48	102,546	2,136
LOUISIANA	2	6,000	3,000	0	0	0	2	6,000	3,000
MAINE	2	6,000	3,000	0	0	0	2	6,000	3,000
MARYLAND	54	146,950	2,721	0	0	0	54	146,950	2,721
MASSACHUSETTS	1,457	3,748,190	2,573	7	18,400	2,629	1,464	3,766,590	2,573
MICHIGAN	62	142,685	2,301	3	8,000	2,667	65	150,685	2,318
MINNESOTA	234	567,752	2,426	30	82,477	2,749	264	650,229	2,463
MONTANA	1	3,000	3,000	0	0	0	1	3,000	3,000
NEBRASKA	36	68,873	1,913	4	10,500	2,625	40	79,373	1,984
NEW HAMPSHIRE	2	4,550	2,275	4	11,100	2,775	6	15,650	2,608
NEW JERSEY	1,657	4,309,306	2,601	409	1,060,585	2,593	2,066	5,369,891	2,599
NEW MEXICO	2	6,000	3,000	0	0	0	2	6,000	3,000
NEW YORK	2,611	6,146,543	2,354	2,201	5,018,155	2,280	4,812	11,164,698	2,320
OHIO	1	1,600	1,600	1	3,000	3,000	2	4,600	2,300
PENNSYLVANIA	1,540	3,546,429	2,303	866	2,305,839	2,663	2,406	5,852,268	2,432
USAF	13	27,492	2,115	22	57,600	2,618	35	85,092	2,431
VERMONT	14	30,999	2,214	2	6,000	3,000	16	36,999	2,312
WEST VIRGINIA	19	34,129	1,796	1	3,000	3,000	20	37,129	1,856
WYOMING	6	12,980	2,163	0	0	0	6	12,980	2,163
TOTALS	9,104	22,385,996	2,459	4,205	10,287,702	2,447	13,309	32,673,698	2,455

NOTES: [1] GRADUATE AND INDEPENDENT UNDERGRADUATE STUDENTS ELIGIBLE FOR PLUS LOANS BEGINNING OCTOBER 1, 1981.
READY

NUMBER OF LOAN RECIPIENTS

Senator Byrd: How many graduate and professional students in each of the 50 states are now receiving assistance in one form or another from GSL's or campus-based loan programs?

Answer: We estimate that approximately 20 percent of all regular Guaranteed Student Loan recipients are graduate or professional students. Thirty percent of the loan volume is attributable to them. We do not have more specific data broken out on a state-by-state basis. Graduate and professional students are also eligible to borrow under the campus-based National Direct Student Loan program. However, we do not have any current data which indicates the number of graduate and professional students receiving such loans.

Senator Byrd: It would seem that because of the reductions and changes in student aid programs, many students will not be able to attend college. Has the Administration assessed the impact that these cuts will have on the number of students that are able to afford college?

Answer: As indicated above, we have carefully developed our budget proposals to ensure access to postsecondary institutions for all borrowers by targetting available funds toward those with the greatest need. In all other instances, the student and his or her family have the prime responsibility for meeting the expenses of postsecondary education. Choice of institution is largely a matter of student and family discretion. Some students and their families may be willing to contribute more or incur higher loan indebtedness to attend a more costly institution. Our loan programs provide a subsidized means of financing these higher-cost schools. In other instances, students may opt to keep indebtedness to a minimum by attending a lower-cost institution.

Senator Byrd: Have you assessed the impact that the drop in the number of students who will be able to afford college will have on colleges with less than 2,000 students?

Answer: We do not expect there will be any appreciable drop in enrollments at the smaller institutions as a result of our proposals.

Senator Byrd: Do you have any idea how many of these small schools will be facing serious financial difficulty or may be forced to close as a result of the reductions in student aid programs?

Answer: As stated immediately above, we do not expect there will be any noticeable impact on the smaller schools as a result of our proposals.

GRADUATE STUDENTS

Question: Mr. Secretary, the Department has suggested a number of legislative changes in the Guaranteed Student Loan program. Probably the most controversial of these is the proposal to eliminate graduate students from the GSL program, and require that they borrow from the Auxiliary Loan program, which lends money at 14 percent interest and requires repayment while in school.

How do you rationalize this proposal?

Answer: First, we would like to clarify that graduate students are not being eliminated from the Guaranteed Student Loan program under our proposal. Their borrowing would be shifted from the 7 or 9 percent heavily-subsidized regular student loans to the less-subsidized 12 or 14 percent auxiliary (PLUS) loan component of the GSL program. Having the graduate students borrow under the less-subsidized aspect of the program provides a means of achieving substantial immediate savings ($573 million, or over sixty percent of our total projected fiscal year 1983 savings) without denying loan access to any students. We believe that students who have already obtained their undergraduate degrees should be in a position to meet their own in-school interest obligations, as necessary, via summer and part-time employment. This proposal is consistent with this Administration's view that a larger part of the costs of financing postsecondary education should be borne by its direct beneficiaries.

Question: At a time when there is a serious shortage of trained scientists, how do you respond to the criticism that the elimination of graduate students from the GSL program will make obtaining a graduate education more difficult, and that in fact this proposal will weaken our security posture?

Answer: We do not believe that our proposal to shift graduate and professional student borrowing to the less-subsidized auxiliary (PLUS) component of the GSL program will seriously affect the number of students pursuing advanced degrees or the nation's supply of technically-trained manpower. We believe that students will have to consider more closely the costs and benefits of their educations than they currently do, and that they will be more demanding consumers with respect to the quality of education provided. We do not believe that these would be undesirable consequences. We would also point out that the recent huge growth in GSL volume and related subsidy costs has not been reflected in any appreciable growth in scientific and technical field enrollments or in postsecondary enrollment generally.

LENDER PROFIT

Question: The Federal Government currently pays banks a 9 percent in-school interest subsidy, plus a floating special allowance equal to the Treasury-bill plus 3.5 percent.

At a time when inflation has been running at roughly 4 percent, it seems very generous to pay lending institutions 16 to 18 percent for loans that are completely guaranteed by the Federal Government.

Has any study been done to determine how much of a profit banks ought to make on this program? What should this be?

Answer: The current special allowance formula was set by the Education Amendments of 1976. Since that time, there have been several studies examining the profitability of the Guaranteed Student Loan (GSL) program to participating lenders. The Congressionally-mandated Committee on the Process of Determining Student Loan Special Allowances supported the formula in their report to Congress in 1977, while noting that actual lender profit or loss levels varied according to bank type, size, administrative practices and banks' cost of capital. In their May 1981 discussion paper entitled

"Options for Controlling Federal Costs While Preserving Needed Credit for College," the College Board stated "...assessing the margin of GSL profitability is a complex issue. Cost of money and administrative expenses may vary widely for lenders according to size, geographic location, tax status and other characteristics..." The paper accurately pointed out that a small bank in a rural area would have a lower cost of money than a large bank in an industrial area, but might have higher administrative cost for loans. A third major study of the appropriateness of the current special allowance formula has been undertaken by the National Council on Student Financial Assistance authorized by the Education Amendments of 1980. The Council has indicated that they will be completing their study sometime in June.

We feel that any reduction in, or limits on, the special allowance rate so as to reduce loan profitability would risk lender withdrawal from the program, while resulting in limited savings, since any changes in the special allowance rate would apply to new loans only.

NEED ANALYSIS

Question: The Administration is proposing to make all students undergo needs analysis in order to receive GSLs.

How much will this provision limit loan volume as compared with the current system?

Answer: Expansion of need analysis to all borrowers is not expected to result in a significant reduction in loan volume. We believe that it will affect less than 10 percent (that is approximately 300,000 students) of all borrowers in fiscal year 1983. A very small number--perhaps 100,000--will lose all eligibility for the regular guaranteed loans. The major portion of our projected savings from this proposal results from some borrowers having their loan eligibility slightly reduced, but not eliminated. In particular, it is most likely that students attending low cost schools, who come from small families with adjusted gross incomes over $20,000 would have their loan eligibility reduced. There would not be as much impact on students from large families, especially when more than one dependent student in the family is attending a postsecondary school. There would be no affect on borrowers from low-income families. The intent of this proposal is primarily to control abuse and to improve equity within the GSL program as well as among Title IV programs.

Again, we must emphasize that if cash flow problems limit the ability of the families of affected students to meet the expected family contribution indicated by the need analysis, the parents would be able to borrow under the auxiliary (PLUS) loan aspect of the GSL program to help meet this expectation.

Question: How much would this proposal reduce program costs in fiscal 1982? In fiscal 1983? In fiscal 1984?

Answer: Assuming an April 1, 1982 effective date, this proposal would have saved $16 million in 1982, $59 million in 1983, and $111 million in 1984.

Question: How much paperwork is required to demonstrate need?

Answer: If the student is applying for other Title IV aid no additional paperwork would be required to determine need in order to apply for a Guaranteed Student Loan (GSL). For a student who is seeking GSL aid only, the student would be required to provide the school with his or her family's adjusted gross income, the number of persons in the household, and the total number of students in the household attending postsecondary school at least half-time.

Question: How many more parents and students would have to undergo needs analysis under the Department's proposal than presently do?

Answer: Students from families with adjusted gross incomes (AGIs) of $30,000 and above must already go through need analysis when applying for a Guaranteed Student Loan (GSL). No additional need analysis would be necessary for students with AGI's below $30,000 if they have already applied for other Title IV aid, since GSL need determination would be based on the need analysis required in conjunction with the other aid applications. Although we have no firm estimates, we believe the vast majority of students with AGI's under $30,000 will fall into this category. Thus, only a small minority of students will have to undergo need analysis solely because of the Department's proposal to extend GSL need analysis to all income levels.

SUPPLEMENTAL REQUEST

Question: Mr. Secretary, there is pending before this Committee a request for an urgent supplemental for the Guaranteed Student Loan program. The Department had informed us that these funds were needed by early April, otherwise severe penalties of up to $8 million per day would be incurred for failure to make interest payments to banks on time. Now the Committee is informed that the Department has "reestimated" the date when it will run out of money.

Why does there appear to be such confusion about the exact date when funding will run out?

Answer: Establishing a date when the Guaranteed Student Loan (GSL) program funding is depleted depends particularly on the definition used to measure available funds. Is it budget authority or outlays? In fact, the Department did run out of new budget authority in early April. Since that time, we have been operating at a deficit as far as obligational authority is concerned since GSL entitlement payments (default claims, interest subsidies, etc.) have continued to accrue. It is especially for this reason that the supplemental is urgent--from a budget control perspective it is very poor policy not to have budget authority to cover all obligations as they occur or accrue.

The Department will not actually be short of cash for outlays until a later date especially since the bills for interest subsidies are not received until sometime after the obligation has accrued. While the exact date cash will be depleted is difficult to predict because of fluctuating loan volume, submission of default claims, the unpredictable flow of lender bills and the amount of default collections received, we estimate it will occur in late May or early June. Penalty interest would begin to accrue thirty days after the complete and accurate interest subsidy bills have been received (i.e.

in late June or early July). We are instituting a closer tracking system to monitor obligations and expenditures beginning this month.

REPAYMENT OF AUXILIARY LOANS

Senator Burdick: I want to follow up the questioning last month regarding costs to the students for the Auxiliary Loans. Pay-backs of between $600 and $800 per year were talked about for a graduate student to borrow under the new program.

As I figure it, however, if a graduate student borrowed $3,000 per year even at 12 percent, he or she would be paying back $360 the first year; $720 the second year; $1080 the third year; and $1440 the fourth year. This is just interest. I know there was some talk about capitalizing the interest, but bankers are saying that just won't work. Payments of this size would be very difficult for a full-time graduate student. How do you envision this working out?

Secretary Bell: We believe that most graduate students do have the earning capacity, via part-time and summer employment, to meet their in-school interest payments. If necessary, schools may be able to assist borrowers experiencing repayment difficulties with small loans or grants. Lenders do have forbearance authority, in addition to the option of capitalizing the in-school interest obligation. Thus, we believe that the vast majority of graduate students will be able to find a way to meet this responsibility.

GSL REGULATIONS

Senator Burdick: One final question--on the Guaranteed Student Loan program: I understand the regulations for the current program were due out April 1. Why have they been delayed and when can we expect them?

Secretary Bell: We are pleased to report that two major Guaranteed Student Loan (GSL) packages have been published recently in the Federal Register. The final regulations on the Auxiliary (PLUS) Program were published on April 21. The Family Contribution Schedule for the GSL program was published May 3rd.

ORIGINATION FEE

Senator Andrews: The Administration proposes to change the origination fee for Guaranteed Student Loans from 5 percent to 10 percent. While this may save dollars in the short run, students will have to borrow 10 percent more to be able to yield loan proceeds sufficient to meet their costs.

Do you really see this as a cost-savings mechanism?

Secretary Bell: The proposal to increase the origination fee is both a short-term and long-term cost savings mechanism. It is true that some students will borrow additional amounts to cover the increased origination fee, and that the Department will therefore not realize the full amount of the increased receipts due to increased interest subsidy and claim payments. However, our current estimate is that the 10 percent origination fee will result in increased borrowing of only about 2-1/2 percent. At this increased borrowing level, assuming current T-Bill and default rates, almost 80 percent of the receipts due to the origination fee would remain with the

Department over the life of the loan, after the additional cost associated with the increased borrowing have been taken into account. Thus, assuming an effective date of April 1, 1982, we project the proposal will save $93 million, $170 million and $183 million in fiscal years 1982, 1983 and 1984, respectively. Increased savings will also be realized in subsequent years.

TRIO

Senator Specter: The Administration's budget recommendations for next year would eliminate 170 Talent Search programs and 32 Educational Opportunity Centers which are presently providing 32,950 students information about college admissions and financial aid. At this time, when such severe changes are being proposed in financial aid programs and such a climate of uncertainty exists, how can this decision be justified?

Answer: The elimination of Federal support for Talent Search and Educational Opportunity Centers will require a renewed effort on the part of State and local agencies. These programs came into existence in the mid-1960's to augment educational services normally provided by local systems. Initially, local schools were not adequately equipped to meet the needs of young people from low-income families. These programs were developed to demonstrate how these particular services could be met. We now feel that these programs have adequately demonstrated this. Also, colleges and universities have since adopted outreach programs that did not exist before these programs were developed. Both secondary and postsecondary institutions have developed many services for their public information efforts regarding counseling and financial assistance programs.

Senator Specter: Your recommendations on Upward Bound would probably eliminate fourteen of the twenty-five Upward Bound projects in Pennsylvania. This program has a record of success with 91 percent of its graduates going on to college, most moving from situations where they are dependent on government support to a point where they become productive, tax-paying citizens. Aren't there long-term costs involved in implementing your recommendation?

Answer: We agree that the program has been successful. We also believe that such success has not gone unnoticed on college campuses. Institutions which realize that a public service function is fundamental to their mission will continue these projects. Given the need to curtail expenditures and rather than fund as many individual projects at greatly reduced levels, it was determined that funding fewer projects fully would constitute a preferable strategy.

Senator Specter: It is my understanding that regulations interpreting the "prior experience" language in the TRIO legislation are now awaiting your signature and that delays in sign-off which have already occurred will result in as many as 25 Talent Search projects not being notified regarding their FY 1982 funding when their present grants expire May 31. Can you tell me when you will sign these regulations and if they will indeed carry out congressional intent to promote continuity of projects.

Answer: The TRIO regulations were signed and have been submitted to the Office of Management and Budget for review.

Senator Specter: One of the Administration's justifications for cutting back funding for TRIO programs is that these successful projects should be supported at the State or local level. In States such as mine there is severe unemployment, resulting fiscal exigencies for State and local governments, and increased demands for funds on private sources. What indications do you have that colleges and universities who want to serve poor students and continue TRIO-type services will be able to find sources to replace the federal dollars that you propose to withdraw?

Answer: We do not have data that suggests a readiness to assume full replacement of Federal support from other sources. This is not to say however that States, local school districts, institutions of higher education, and non-profit agencies, when faced with the reality of no Federal support, will not find the money to continue TRIO-type services. We also believe that institutions themselves are benefiting from these special service grants since these grants permit institutions to retain tuition-paying students who might otherwise drop out of school.

LEGAL TRAINING FOR THE DISADVANTAGED

Question: The budget requests no new funds for the Legal Training for the Disadvantaged Program, the so-called "CLEO" Program. The justification states that the Department supports the intent of this program to assist individuals from disadvantaged backgrounds to enter the legal profession, but that "There is strong evidence to suggest that this program will be able to continue its current activities without Federal support." What is this evidence?

Answer: Since its inception in 1968, the program has functioned as a cooperative effort between the Federal government, the Council on Legal Educational Opportunity, and approximately 150 law schools. CLEO is unique in that is a privately initiated effort which has never looked to the Federal government to cover all of the costs associated with the program. Law schools currently absorb 60 percent of the costs of running intensive pre-law training institutes during the summer. In addition, the law schools either remit all tuition and fees for CLEO students or provide financial aid packages composed of scholarships, loans, and work-study support to supplement the $1,000 annual stipends provided with Federal funds.

In the thirteen years of the program, participating law schools have assisted over 3,000 students from disadvantaged backgrounds in receiving law school training. During this period, law schools have become more effective in providing access and services to these high risk law students. The 74 percent success rate for CLEO students taking the bar examination attests to the fact that law schools are well equipped to meet the special needs of these students in obtaining a legal education.

Question: How many people were served by CLEO in fiscal year 1981 and fiscal year 1982? How many of these were second and third year?

Answer: In fiscal year 1981, 540 students participated in the program. Of these, 210 students were in their first year of law school, and 340 were in their second and third years. In 1982, the same number of students will be served in each year of school.

Question: How does the Department intend to guarantee that this program will continue without Federal support?

Answer: We believe it is inappropriate for the Federal Government to "guarantee" that this program will continue. It is our strong belief, however, that individuals and private organizations will provide enough support for this successful program to continue.

The Council on Legal Educational Opportunity is planning to conduct a fund raising initiative directed at private individuals, corporations, law firms, and foundations. In addition, efforts are underway to marshall financial support from CLEO alumni.

INTERNATIONAL EDUCATION

Question: There is considerable concern that there is a serious shortage of trained specialists in Foreign Language and Area Studies. The Administration proposes reducing Federal support for International Education from $24 million in fiscal year 1982 to $10.3 million in fiscal year 1983. The justification for this is that "this reduction reflects the Administration's effort to curtail Federal spending and to encourage individuals, institutions, businesses, and other organizations to contribute more to the financing of foreign language and area studies programs." Does the Department concur that there is a need for more Foreign Language specialists? How large does it estimate the need to be?

Answer: The Department concurs that there is a need for additional foreign language specialists who have a strong interdisciplinary and area studies background. the greatest need is for specialists in such languages as Arabic, Indonesian, Chinese, and most of the African languages.

It is difficult to quantify the need for such specialists because it is based on the strategic interests of the United States government and on projected levels of economic activity. However, the Department is currently funding a study by the RAND corporation which should provide new data on the need for additional specialists and permit us to establish priorities for the coming years. The results of this study will be available later this year.

Question: What evidence does the Department have that non-Federal support can replace Federal funds for foreign language training and study? Cite specific evidence.

Answer: Over the years, the Federal share of the cost of the National Resource Centers has been steadily declining. Today, institutional and private funds make up 92 percent of the budgets of the Centers. Consequently, the Department believes that centers which do not receive Federal support can find additional funding from individuals, institutions, businesses, and other organizations. Generally, whenever a center has not been selected in the competition for grants, it has been able to continue operations by finding private sector support, or by redirecting resources from some other activity.

INTERNATIONAL EDUCATION PRIORITIES

Question: Within the total amount provided for International Education in Fiscal Year 1982, $24 million, how much is spent on Latin American Studies?

Answer: Within the total amount provided for International Education in 1982, approximately $2.5 million will be spent on Latin American Studies.

Question: How are priorities for funding of the various area studies centers established?

Answer: Priority is given to projects offering instruction in those world areas and languages which: (1) have small numbers of existing specialists or low levels of competency among existing specialists; (2) have low levels of enrollment nationwide; (3) have the greatest degree of linguistic and cultural complexity and diversity; (4) tend to have small average class sizes; (5) are not generally available as instructional programs; and (6) are of national need and interest. Other factors influencing which area centers receive funding are the quality of applications submitted in periodic competitions and the interest and ability of U.S. higher education institutions to commit vast institutional resources to the development of quality programs.

In recent years, emphasis has been placed on non-Western areas, particularly the Middle East and Asia, in which over 80 percent of the world's population speaks hundreds of languages, wholly unrelated to English. The 1983 budget strategy continues to place priority on the training of specialists in the languages and cultures of non-Western countries.

Question: At a time when our policies in South and Central America are of crucial importance, has any consideration been given to increasing funding for Latin American studies?

Answer: The 1983 budget strategy places priority on the training of specialists in the languages and cultures of non-Western countries. Nation-wide annual enrollments in language courses for Chinese, Japanese, Arabic, Korean, Indonesian, Hindi-Urdu and more than fifty other non-Western languages total some 50,000 as compared to Spanish which, alone, has annual enrollments of 380,000.

Nevertheless, in 1982 and 1983, we intend to provide roughly the same proportion of support to Latin American studies as in the past. In fact, funding for Latin American centers increased from 11 percent of our budget in 1978-79 to 12.1 percent in 1981-82.

Question: How, on policy grounds, do you rationalize the proposed budget reduction for International Education from $24 million to $10.3 million in Fiscal Year 1983?

Answer: As part of the President's economic recovery program, we must cut federal spending, and all programs must assume their fair share of the cuts. Our proposed budget for international education would make the smallest reductions in specialist training activities which, we believe, serve the nation's foreign policy and defense interests most directly.

DEVELOPING INSTITUTIONS

Question: What percentage of the Title III program funding actually goes to historically black institutions?

Answer: In fiscal year 1981 approximately 35 percent of Title III funds went to historically black colleges. Fiscal year 1982 funds have not yet been awarded. However, under Part B, Aid to Institutions with Special Needs program, funding for black colleges is held harmless at not less than 50 percent of the amount they received in fiscal year 1979 or $27.4 million. In addition, historically black colleges are eligible to compete for Part A and Part C funds.

Question: What percentage goes to predominately Hispanic institutions?

Answer: In fiscal year 1981 approximately 7.6 percent of Title III funds went to predominately Hispanic institutions.

Question: How would you define the goals of the Developing Institutions program?

Answer: The Title III Institutional Aid programs provide assistance to help eligible institutions of higher education to solve problems and stabilize their management and fiscal operations so that they may achieve self-sufficiency. These programs provide funds to institutions to carry out planning and development activities that will enable them to become thriving institutions of higher education.

Question: In your opinion, is the program a success? Why?

Answer: It is difficult to determine the success or failure of the program at this time because this is the first year under the new legislation. The program has recently received approximately 958 applications for funding and approximately 1100 requests for designation as a developing institution. We are in the process of reviewing proposals to determine who will receive grant awards for the first year under the new legislation.

An assessment of how successful institutions are cannot be made until these institutions have had a opportunity to implement the activities suggested in these long range plans. Also, evaluation procedures need to be developed that will be compatible with the new legislation.

TRIO

Question: The Administration is proposing the reduce funding for the Special Programs for the Disadvantaged, the so-called "TRIO" program, from $150 million to $82 million. The proposal would continue at reduced levels direct service grants, and eliminate all ourtreach activities. Given the positive evaluations of the service components of TRIO which you mention on the budget justification, why do you recommend reduced funding for them?

Answer: The Special Programs for the Disadvantaged was established in 1965 to assist local school districts with services and outreach activities for students from low-income families. Most of the grantees under these programs have received Federal funds long enough to have established strong and viable programs and can continue to provide counseling services without Federal aid. Also, there is duplication of effort for some of the same services under some of the TRIO programs which could and should be eliminated. For example, both Talent Search and the Education Opportunity Centers provide counseling and information to eligible students about opportunities to further their education and how to seek financial aid for postsecondary education. These same services are available under other Federal programs such as Upward Bound and Special Services for the Disadvantaged which we are recommending continuation. We also feel that States and local school districts can and should assume more responsibility for the counseling services now provided by Talent Search and Educational Opportunity Centers.

Question: How are the services projects supposed to make up for reduced Federal support?

Answer: We believe that the host institutions will be willing and able to make up the funds being withdrawn from the Federal Government. The Department believes that institutions themselves are benefiting from Special Services grants since these grants permit institutions to retain tuition-paying students who might otherwise dropout. Over the many years of its existance the Special Services program has attempted to stimulate institutional commitments to the projects. One way of demonstrating this commitment is for an institution to conduct development activities or by including Special Programs staff in training opportunities available to other professional staff at the institution.

Question: What is the rationale for the complete elimination of Federal support for outreach activities?

Answer: These activites were authorized to compensate for inadequate guidance and counseling services provided by local school districts serving students from low-income families. Colleges and universities have since adopted outreach programs that did not exist earlier and have developed many services for their public information efforts regarding counseling and financial assistance programs now available to students. In addition, there are more public community colleges now which offer not only educational programs but, also, educational counseling services. We believe there is no longer a Federal role needed for these activities.

NATIONAL CENTER FOR HIGHER EDUCATION MANAGEMENT SYSTEMS

Senators Andrews and Burdick: The North Dakota State Board of Higher Education has informed me that the Director of the National Institute of Education intends to terminate the long-term special institutional relationships between the National Institute of Education Management Systems (NCHEMS) and the National Institute of Education in 1983. This termination apparently comes one year ahead of schedule. Given the fact that NCHEMS focuses its attention on enhancing the ability of institutions of higher education to cope in view of the budget cuts that the higher education field is facing? What is the justification for cutting off NIE funding for NCHEMS a year ahead of schedule.

Answer: With respect to the labs and centers, the Institute intends to provide a transition during 1983 to open competition. NIE hopes to develop a smooth transition to competition with each organization. The Director is continuing his discussions with NCHEMS and the review of its proposal will be completed by September. At that time, we will be pleased to share the results with you.

With respect to postsecondary educational needs, we expect both the Institute and the Fund for the Improvement of Postsecondary Education to address important issues relating to the management of academic institutions during the period of declining resources. The research studies conducted by NCHEMS will help us to develop an appropriate postsecondary education research agenda.

LABS AND CENTERS

Question: Mr. Secretary, I understand there is a difference of opinion between you and the Labs and Centers over the length of their current NIE Contracts and Grants. Lab and Centers, as well as several members of Congress seem to believe there is a 5 year legally binding contract of which the labs and centers are now in their third year. When NIE Director Curran appeared before this Committee recently, he informed Senator Spector, who was the acting chairman, that he would supply to this Committee, a copy of the General Counsel's opinion on the labs and centers length of contract. What does that opinion say and when can the Committee expect to receive a copy?

Answer: The opinion of General Counsel is that NIE has three year contracts and grants with labs and centers. These awards were made in 1980 under a policy of long-term noncompetitive support for labs and centers. Under this policy these organizations submitted long range plans with scopes of work for three year contracts and grants. It is these three year awards which will be ending this year, on November 30 (two centers are out of phase and their grants will end on November 30, 1983). The General Counsel's opinion was forwarded to the Committee on May 11, 1982.

Question: Both House and Senate Appropriations Committee reports in FY 1982 directed the Department to proceed with the mandated third-year review of labs and centers. When do you plan to begin that review?

Answer: NIE planned to conduct a review during the third year of the lab and center contracts and grants to assist in determining if, and how support would be continued. The review would have included submission of five year plans extending to 1987, with scopes of work that could result in noncompetitive contracts and grants through 1985.

However, the Institute has had to alter its administrative policy on labs and centers due to decreases in the budget authority and recent Congressional guidance that requires all future awards be made using the competitive process. Of the 17 existing contracts and grants, 15 expire on November 30, 1982, and two on November 30, 1983.

The current plan, as outlined in a letter from the Director on March 19, 1982, requests submission of proposals for FY 1983 transitional activities by May 25. (See attached letter.) We expect to meet with each of the lab and center directors or representatives individually and complete the evaluation of their proposals by

September. The results of this process will be shared with the Congressional Appropriations Committees at that time.

March 19, 1982

Dr. Eva Baker, Director
Center for The Study of Evaluation
UCLA Graduate School of Education
405 Hilgard Avenue
Los Angeles, California 90024

Dear Dr. Baker:

In my letter of February 5, I invited you to meet with me during March to discuss our plans for reviewing the proposal you will be submitting on May 25, 1982.

This review will take place in the context of two events that have had a major impact on the Institute's planning process. First, during the past year, Congress expressed its intent that the labs and centers shall, upon completion of existing awards, receive future funding in accordance with Government-wide competitive procedures. Second, NIE has received a budget authorization that is insufficient to continue former levels of noncompetitive, long-term support.

We are attempting to develop a judicious response to these events. These compelling circumstances will require us to alter our policy of noncompetitive funding for labs and centers. However, in implementing the Congressional intent on competition, we wish to proceed on a schedule that will allow you to adjust to this change in our funding policy.

We plan to conduct competitions, with projected award dates in the summer of 1983, for a significant number of activities to begin in FY 1984. These competitions will be announced this fall. We believe this schedule will allow sufficient time for the nation's R&D community, including the labs and centers, to prepare for and participate in the competitions.

We are aware that your existing award ends on November 30, 1982, which is prior to the projected award date for the competitions. However, we believe it is appropriate for the labs and centers to continue receiving support until the competitions can be completed. To this end, we are requesting a proposal from each lab and center for FY 1983 activities to be submitted on May 25, 1982.

This proposal should have four components:

- A review of your organization's accomplishments to date.
- Proposed continuations of existing work into FY 1983.
- Proposed new projects to be completed within FY 1983.
- Plans for phasing out work supported by NIE under noncompetitive awards.

For your review of accomplishments in this proposal, you may rely heavily on existing documentation and reports of your work. With regard to your plans for 1983, I hope that we can make constructive use of our upcoming meeting to discuss the substantive direction, duration, and funding level of the projects you might propose. Our contracts staff will be prepared to discuss the nature of your phase-out plans with you during your visit to Washington, and they will be sending you guidance on what to include in your proposal. Typically, a phase-out plan would cover a 90-day period of declining program activity, and it would be used to achieve an orderly completion of research and support functions. I want to emphasize that these plans are a common feature of large Government contracts, and in no way are they intended to prejudge or otherwise limit your eligibility to compete for new awards.

When we receive your proposal, it will undergo a thorough review by external field readers and NIE staff. Your institutional monitor and others, on an as-needed-basis, will make a site visit in late June or early July to discuss the review with you. Your monitor will then report the findings of the review to the lab and center committee. Having considered the review findings and the committee's recommendations, I will announce my decision on your proposed 1983 work by October 1 of this year.

The review that we plan will be somewhat different from the one that was originally envisioned for your third year under the policy of noncompetitive long-term support. Under that policy we ordinarily would have considered the questions of whether and how to continue noncompetitive, long-term support for your organization, and the third-year review would have provided the primary basis for those decisions. However, the review will now be limited to the work you propose to conduct during the FY 1983 transition to open competition. Of course, the results of this review will be shared with the Congressional Appropriations Committees during the fall of this year.

I recognize that this policy of open competition constitutes a major change in NIE's relationship with the labs and centers, and I appreciate the fact that it may have significant impact on your organization. I want to assure you that we will not take precipitous actions in implementing this policy. I hope that our upcoming meeting will mark the beginning of productive discussions on how we can best manage this transition.

Sincerely,

Edward A. Curran

Edward A. Curran
Director

NIE MISSION

Question: What do you view as the mission of the National Institute of Education in FY 1983 as well as in subsequent years?

Answer: The mission of the NIE will remain the same in FY 1983 and in subsequent years as originally intended when NIE was established by the General Education Provision Act of 1972 (P.L. 92-318). The original legislation gave NIE the responsibility to provide leadership in the conduct and support of scientific inquiry into the educational process so that every person can be provided an equal opportunity to receive an education of high quality regardless of race, color, religion, sex, age, handicap, national origin, or social class. The original legislation directed the Institute to seek to improve education in the United States through:

- helping to solve or alleviate the problems of, and achieve the objectives of American education;
- advancing the practice of education as an art, science and profession;
- the strengthening of the scientific and technological foundations of education; and
- building an effective education research and development system.

Question: Has that mission changed in the ten years since NIE was established?

Answer: The overall mission has not changed. However, the Education Amendments of 1980 further authorized NIE to conduct research and development toward:

- overcoming the special problems of the non-traditional student, including the older student..., the part-time student, and the institution which the student attends;
- encouraging the study of languages and cultures and addressing both national and international educational concerns.

The Amendments also directed the Institute to give attention to the needs of early adolescents and the schools which serve them.

TEACHER SHORTAGE

Senator Specter: Despite an increasingly technological society, public high school teachers' salaries in critical fields such as mathematics and science are becoming less and less competitive with pay rates in the private sector. What is being done to attract more people to these teaching positions?

Answer: The shortage of mathematics and science teachers is clearly acritical national problem. Although many state and local governments have been aware of the shortage for some time, only recently have they begun serious efforts to alleviate it.

One example of what some local school systems are doing to attract more teachers to fields in which there are critical shortages is provided by the Fairfax County system in Northern Virginia. Fairfax County has just started a plan through which teachers who have had four years of successful teaching experience in another area can become fully certified in mathematics by taking a series of courses offered by two local colleges in the evenings and during summer vacations. For some teachers, this will mean part-time work spread over a period of three years; others will require less additional course work. People who enter the program will have to agree to be reassigned as soon as a mathematics vacancy occurs, once they are qualified, and to teach in that position for at least three years. Although the tuition for these courses will be paid by Fairfax County, the county does not guarantee jobs for teachers who complete the program, nor does it offer increased salaries. Given the present shortages, however, teachers who are fully certified in mathematics undoubtedly will enjoy more job security than those who are not. The program will not actually be in operation until this summer, but 45 teachers have already applied to it. County officials report that there are no more vacancies.

As another example, New York has had a program for several years under which teachers in other areas are recertified in mathematics. This has been growing, but still it is very small compared with the total number of teachers in the system. Over the past three years, only 112 people have been recertified in mathematics.

Philadelphia has just started a cooperative program with several colleges and universities in the area. Over a period of three years teachers will be given sufficient course work to make them fully qualified to teach high school mathematics. The school district will guarantee a job for anyone who completes the program successfully. It is of course too early to assess the effectiveness of the Philadelphia plan.

Houston is one of the few school districts that pays more to teachers who are in short supply. Two thousand dollars is added to the salary of teachers of mathematics and science, whether they are already certified or if they have been recertified in mathematics. (The $2,000 bonus for mathematics and science teachers is just part of a larger plan that includes extra stipends for teaching in difficult schools, and for accelerated pupil performance. In assessing the effectiveness of the plan, it is not possible to separate out the subject-matter bonus from its other parts.) Houston reports that both teacher absenteeism and turnover have been reduced. It should be mentioned, however, that a $2,000 salary differential is not likely to be the deciding factor in the career decision of someone who could earn more than twice a teacher's salary in private industry.

Legislation designed to reduce the shortage of mathematics and science teachers is pending in two states. In North Carolina, proposals have been made (1) to start mathematics teachers on a higher step of the salary scale; (2) to increase the number of steps on the scale for mathematics teachers, so that they will not be forced to abandon the classroom for administrative work if they wish to raise their salaries; (3) to offer bonuses for taking university level mathematics courses; and (4) to institute multiple certifications so that, for example, a person can be certified to teach mathematics in grades 7-9, but not in grades 10-12. Legislation in New York State has been introduced to provide undergraduate scholarships for people who major in secondary mathematics teaching, and to give graduate fellowships to teachers who enroll in programs to become mathematics teachers.

Recent efforts of the National Council of Teachers of Mathematics, the National Science Teachers' Association and the National Academy of Sciences to publicize the shortage of teachers in science and mathematics have resulted in increased coverage of the problem by the press and the television networks. As a result, one can expect larger numbers of states and local governments to take steps to make mathematics and science teaching at the secondary level more appealing to those who have the qualifications to hold those positions.

SERVICE DELIVERY ASSESSMENT

Question: Mr. Secretary, it has come to our attention that the Department is conducting a Service Delivery Assessment (SDA) on the NIE Funded Regional Education Laboratories and Centers. We are told that this assessment involves the interviewing of some 500 individuals.

What is the purpose of this exercise? Is OMB clearance required before a Service Delivery Assessment is conducted and if so, have you received that clearance? Since NIE is required to conduct a rigorous third year review of the Labs and Centers, does this assessment relate to that review? For the record, please provide your justification for this Service Delivery Assesssment and how much it will cost the Department to carry it out.

Answer: The Service Delivery Assessment (SDA) is a recently developed management tool designed to provide the Secretary and Under Secretary of the Department of Education (ED) quick turn-around, information on how education services, programs, and issues are perceived across the nation by students, parents, teachers, administrators, and other interested individuals. Conducted principally at the local level by in-house ED staff in three to five months, SDA findings are presented in a short ten-page report followed by a personal briefing of top ED managers.

We in the Department have been concerned that research made a difference in the classroom, and we wish to examine a number of approaches that have been used to promote the dissemination and utilization of research findings. With regard to the laboratories and centers, we are interested in what impact they have made on teaching and learning in schools. The SDA was viewed as a useful device to learn from the users of research, the schools and teachers themselves, what they view as the important products and activities of these organizations.

The SDA is not a part of the lab and center review. The SDA will, however, provide background information to the Institute as it plans future competitions for educational R&D services.

The Service Delivery Assessment was cleared by OMB on May 17, 1982.

The cost of the assessment of laboratories and centers is estimated to be $60,000.

NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS

Question: What functions does the National Assessment for Educational Progress perform that could not be carried out by the National Center for Education Statistics?

Answer: The National Center for Educational Statistics collects data on the characteristics of student enrollment, institutional financing, numbers of teachers, administrators, schools, and other facts relating to the general effects of schooling.

NAEP relates closely to, but does not duplicate, many of the national surveys conducted by NCES. Until 1978, NAEP was administered by NCES.

NAEP was transferred from NCES to NIE at the direction of Congress with the expectation that its findings could complement research findings of NIE. In report language regarding the transfer from NCES to NIE, Congress indicated that survey research functions of the National Assessment were more directly related to the objectives of NIE than NCES. The transfer may have stimulated a series of secondary research studies.

Question: The National Assessment of Educational Progress (NAEP) collects and assesses information on student performance in various learning skills. Compared with their counterparts of a decade ago, how well are youngsters doing today in such areas as reading and math?

Answer: NAEP data shows some areas of significant improvement, especially in the basic aspects of essential skills at the elementary level. For example, NAEP recently reported that elementary-school students are reading better than their counterparts in the early 1970's, and that groups traditionally viewed as "disadvantaged" have made substantial gains at the elementary level, and corroborating evidence of these improvements can be shown by increased math scores among students in Iowa, Virginia, the District of Columbia, Houston (Texas), and New York City, to name a few.

The news from NAEP on progress at the secondary level, however, is disappointing. Overall test scores have been declining, especially in higher order learning skills such as math problem solving, analytical skills, interpretive reading and persuasive writing.

Question: How much is budgeted in NIE for this activity?

Answer: In FY 1982 and FY 1983, NIE has budgeted approximately $3.9 million for this activity.

Question: How useful is the NAEP in assessing student performance at different grade levels?

Answer: NAEP, as presently designed, is most useful for reporting student progress by age (9, 13, and 17). It also collects data on the modal grades, the most common grade for each age group, (grades 4, 8, and 11), and while not as powerful for grade-level as year, NAEP does provide data in its report by "modal grade" as well as by age.

NAEP findings are the only national data on what our country's elementary and secondary students are learning. NAEP reports now include analyses by leading researchers and practitioners of possible interpretations for the changes that may be noted, as exemplified in the recent NAEP publication, "Reading, Thinking, and Writing."

NATIONAL CENTER FOR EDUCATION STATISTICS

Question: What has been the effect of budget decreases in education statistics activities over the last two years?

Answer: The Center has been able to absorb budget reductions without disrupting the basic core of statistical activities necessary to report on the condition of education. By streamlining major data bases, shifting some surveys from annual to biennial or triennial basis, and decreasing the sample size, the Center has reduced data burden and minimized expenditures. Specific projects or activities which were dropped or reduced include: the State technical assistance grants, certain surveys from the Higher Education General Information Survey system, and methodological and

Question: What priority areas will the National Center for Education Statistics focus on in FY '83?

Answer: The National Center for Education Statistics (NCES) will as its first objective continue the collection of accurate, timely, reliable, and objective statistics on the condition of education in the United States.

In addition to continuing and maintaining its basic core data on public and nonpublic, elementary-secondary, postsecondary, vocational and adult education, the Center's 1983 program includes:

1) Collecting and reporting on the status of former students in the labor force; the need of high school dropouts; and, other characteristics identified by a second follow-up to the High School and Beyond study.

2) Collecting and analyzing the factors that influence the availability, use and impact of technology in education.

3) Developing and disseminating a data base which integrates local school district data with census population data to provide a mechanism for comparative analyses within and between the States.

4) Providing technical assistance to State and local education agencies through personnel exchanges in planning and development, computer software dissemination, data exchanges and other cooperative efforts designed to enhance effective communications in disseminating survey results.

5) Developing and reporting national projections of enrollments, graduates and degrees, critical teacher needs, salaries and expenditures for elementary and secondary schools and institutions of higher education.

Question: What is the Fast Response Survey and how are "priority" issues selected by NCES for dissemination by this method?

Answer: The Fast Response Survey System (FRSS) is an NCES capability to provide within a very short time frame data on emerging policy issues to various requesting components of the Education Department. The FRSS is restricted to surveys for which the respondent burden is approximately one-half hour per respondent. Through the use of preselected national samples, coordination networks, streamlined clearance procedures, and preestablished data collection and estimation procedures, preliminary data can be provided to the data requestor within three months of fielding a questionnaire.

FRSS surveys are initiated only at the request of senior Departmental officials, who define their data needs. Each request is evaluated to determine if these needs can be met by other, readily available data and, if not, by a fast response survey. Viable requests for fast response surveys are conducted on a first come basis subject to Education Department priorities.

The FRSS has conducted 14 surveys on a wide variety of topics since its inception in 1976. Since these data concern emerging policy issues, this information is shared with the education community, in the form of an early release--available approximately five months after fielding the questionnaire. The final report is available at a later date.

Question: How much more costly is it to use the Fast Response Survey than to publish materials routinely?

Answer: The total costs of Fast Response Surveys including the early release and final report are currently approximately $30,000 for surveys for State Education Agencies (SEA) and $55,000 for non SEA sample surveys. This system of surveys is less costly than contracting for each survey individually since the FRSS startup costs are spread over a number of surveys. The data collected by the FRSS represent unanticipated emerging policy needs and, therefore, are not part of any ongoing periodic data collection process.

The early release is 5-7 pages long including tables and text and provides a brief summary of major findings based on the first available tabulations. The purpose of the early release is to share the basic findings of the survey with the public as soon as possible. In order to maintain high response rates of 90% percent or more, copies of the early release are automatically sent to the State coordinators, who facilitate the data collection and encourage sample members to respond, and to the respondents themselves--about 50-800 copies. Other copies are disseminated upon request. Depending upon the survey the number of requests can range from 100-800, with the number typically about 200-300. The copying costs for the early release range approximately $200-$400 depending on the sector surveyed.

PUBLIC LIBRARY SERVICES FUNDING

Senator Spector: What is currently being done by the Department of Education to obtain the $20 million for the Library Services and Construction Act (LSCA) being held by the Office of Management and Budget, now that Congress has extended the 1982 Continuing Resolution and included full funding for LSCA?

Answer: The library grant funds are no longer being withheld. On April 26, 1982, the Office of Management and Budget released these funds after Congress rejected our proposed rescission.

Senator Spector: If funds are not released after the 45-day rescission waiting period, on April 22, what actions will the Department of Education take?

Answer: Again, all funds have been released.

INTERLIBRARY COOPERATION

Senator Spector: Lending increases efficiency by allowing libraries to share books instead of having to purchase new ones. At a time when we want to get the most out of every Federal dollar, why are we eliminating funds for this in the LSCA program in the 1983 budget?

Answer: It is simply a matter of priorities. As part of the Administration's attempt to curb inflationary pressures through reducing Government spending, no funds are requested for any of the programs in the Libraries account in fiscal year 1983. However, we fully expect State and local governments to continue the interlibrary cooperative arrangements which are now in place and can serve as models for even further expension of the concept.

RESCISSION OF LIBRARY GRANT FUNDS

Question: Public library funds are current year funded, unlike most other education programs which are forward funded. How realistic is it to assume that States will be able to accommodate a $22 million rescission in library programs in the middle of a fiscal year?

Answer: There will now be no rescission in fiscal year 1982. The Congress has rejected our proposed rescission, and all funds have been released.

Question: Two recent General Accounting Office rulings indicated that the Administration has been illegally impounding Library Services and Construction Act funds during the time in which the Congress was considering the President's rescissions. Do you expect the ten States which have filed suit against the Administration, based on this impoundment, to drop their suit when funds are released?

Answer: Yes, we do. Now that the funds have been released, we feel that the litigation is moot.

FUNDING LEVEL

Question: Your budget documents state that the decrease in bilingual education funds is necessary to "reduce Federal expenditures as a means of reducing inflation." In preparing the FY '83 budget, to what extent did the Administration take into account additional long-range Federal costs resulting from bilingual education cutbacks such as increased unemployment and welfare payments?

Answer: I do not believe that the Federal Government has the responsibility to meet the needs of all limited English proficient children. In the Bilingual Education program, the Federal role is one of catalyst, to encourage the establishment and operation of programs to serve these children. Basically it is a local responsibility to provide services on a continuing basis. I believe that the Department can and will continue to exercise a leadership role in this area.

DROP OUT RATES

Question: To what extent are non-English proficient youngsters more likely to drop out of high school than those who have mastered English?

Answer: Hispanic young people, aged 14 to 25, who usually speak Spanish, are 4.5 times as likely to have dropped out of high school as majority students. Young people with other language backgrounds, who usually speak their home languages, are three times as likely to have dropped out of school as majority students. When data are available from the 1980 Census to link drop-out rates directly with limited-English-proficiency, we should have more up-to-date and better quality data on this question.

BILINGUAL VOCATIONAL TRAINING

Question: How successful is the Bilingual Vocational Education Program?

Answer: Information about the effectiveness of bilingual vocational training comes from three studies prepared under contract for the Department and the Status of Bilingual Vocational Training, a report by the Commissioner of Education and the Secretary of Labor to the President and the Congress, August 1978.

The contracted studies are:

- o Assessing Successful Strategies in Bilingual Vocational Training Programs, Inter America, Rosslyn, Virginia, March 1981.
- o Evaluation of the Status and Effects of Bilingual Vocational Training, Kirschner Associates, Albuquerque, New Mexico, March 1980.
- o Assessment of Bilingual Vocational Training, Kirschner Associates, Albuquerque, New Mexico, August 1976.

Some of the findings of these reports and studies include:

- -- Participants in bilingual vocational training programs have experienced reduced unemployment rates, increased job earnings and increases in the rate of labor force participation.
- -- Improvement of the average unemployment rate was found to be greatest among trainees with high preprogram unemployment rates, including Puerto Rican-born or Central American-born persons, trainees who spoke "just a few words of English" at the time they entered the program, and trainees who received more than 240 hours of vocational training.
- -- Only one-third of the trainees secured employment areas closely related to their training occupation. This may suggest that factors other than training have improved their performance. These factors could include their greater ability to speak or understand English or the improved access to employment opportunities that resulted from participation in the training programs.
- -- Unemployment dropped by more than 40% between the pre and postprogram periods. The rate of labor force participation of trainees increased about 25%, including an increase of about one-third (from 49 percent to 67%) for women trainees.
- -- The improvement in the trainees' pre-training to post-training earnings was very comparable to the rate of increase for all nonsupervisory and production workers nationally. Considering their initial disadvantages in competing in the labor market, this improvement in earnings appears likely to have been influenced strongly by participation in the program, although this conclusion is less clearcut thatn the change in unemployment rates.

Question: What is the job placement rate for program completers?

Answer: The job placement rate for the bilingual vocational training programs, as a whole, is more than 90 percent. This type of success we attribute to the configuration of job-related English-as-a-Second Language Instruction, job skill training, and job placement and counseling provided to trainees. Furthermore, training includes on the job experiences prior to placement.

Question: Would you propose including this program in the vocational and adult education block grant or would it be more appropriate to change the Law so that it be included as part of the Bilingual Education Act?

Answer: The Administration has proposed legislative amendments to the Bilingual Education Act (Title VII) that include authorization for bilingual vocational training activities. The budget request for FY 1983 also includes $2.5 million to support bilingual vocational training.

BILINGUAL AMENDMENTS

Question: What plans to you have to change the definition of Bilingual Education to include teaching methodologies other than dual langauge instruction?

Answer: The proposed legislative amendments to Title VII include provisions to permit instruction exclusively in English. Dual language approaches will also be permitted as they have been in the past. Any educational approach can be proposed by a school district, but must be justified on the basis of local need and adequacy of the proposed program in meeting that need.

Question: In proposing such changes would you need to change existing Law?

Answer: Yes. The present law requires, as a condition of receiving Title VII funds, that some instruction take place in the student's home language. This condition precludes funding all-English instructional approaches.

Question: Why haven't other than bilingual teaching methods been included in the Department's program up to now?

Answer: The Bilingual Education Act, as amended in 1974 and 1978, defines a bilingual education program as one in which instruction is given in English and "to the extent necessary to allow a child to achieve competence in the English language, the native language of the children." We have interpreted this language to require some use of the home language of the students.

Question: How would recently proposed regulatory changes to the Bilingual Education Program affect the quality of language training for non-English speaking younsters?

Answer: No changes to existing Title VII Bilingual Education regulations have been proposed. Should the Congress enact our proposal amendments to Title VII, we would change existing regulations to reflect the new statute.

SPECIAL INSTITUTIONS

Question: The Administration is requesting a $5.8 million fiscal year 1982 supplemental for Howard University, one of four "Special Institutions" in the Education budget. Don't the other institutions, particularly Gallaudet and the National Technical Institute for the Deaf have similar budgeting problems based on a four percent cut?

Answer: Gallaudet College and the National Technical Institute for the Deaf (NTID) will have similar problems in accommodating the four percent cut. However, both institutions have made adjustments to live with the lower level. For example, Gallaudet plans to use Marjorie Webster Junior College, which Congress recently transferred from the Federal Emergency Management Agency to Gallaudet College. This facility, which is now Gallaudet College's Northwest Campus, will serve some of the greatly increased number of deaf students who will reach college age next year. Both Gallaudet and NTID are anticipating a surge in the number of students as a result of the 1963-65 rubella epidemic. NTID is planning to cope with the four reduction by scaling back its construction plans for academic and dormitory facilities which have not been started yet. NTID now plans to focus on the academic facilities. The other institution, the American Printing House for the Blind, can increase its sales and marketing efforts to compensate for the four percent reduction by increasing sales revenues.

DEPARTMENTAL MANAGEMENT - SALARIES AND EXPENSES

Question: Mr. Secretary, how many fewer employees are working at the Department of Education now than were there when you first become Secretary?

Answer: The official personel report for January 31, 1981, shortly after this Administration took office, shows the Department had 7,538 employees. Our latest report, for the period ending April 17, 1982, shows 5,700 employees or a reduction of 1,838 employees since I became Secretary.

Question: To what extent have reductions been made through attrition?

Answer: Attrition has accounted for the loss of 1,466 employees. This attrition includes individuals who accepted early out or optional retirements in order to reduce the impact of the RIF's we conducted in late FY 1981 and FY 1982.

Question: How many have been "RIFed"?

Answer: A total of 372 employees were separated via a RIF in late fiscal year 1981 and in fiscal 1982. However, we eliminated 1,013 positions during this time. Of this number 763 positions were for employees on term appointments working on our defaulted student loan collections, which is now handled extensively by private contractors. Another 250 positions were in program or staff offices where the workload was reduced either because of grant consolidation or administrative decision. The majority of the employees occupying these positions, 641, left the Department through attrition, either taking other jobs or retiring.

Question: How does your budget request for 1982 and 1983 reflect staff reductions?

Answer: The Department's 1982 budget requested 1,092 full-time equivalent positions fewer than were authorized in 1981. The 1983 budget was proposed at a reduction of 583 full-time equivalent positions from 1982, a total reduction of 1,675 positions over two years. Appropriate funding levels were requested to support the remaining positions. Because of our attrition we also were able to reduce the Department's requested 1982 pay supplemental by 50 percent.

CIVIL RIGHTS

Question: The budget proposes to eliminate funding for Civil Rights Training and Advisory Services in fiscal year 1982, funded by Congress at $24 million. Isn't there a need for some ongoing Federal technical assistance to enable education institutions to respond to the various Civil Rights requirements they face?

Answer: The Office for Civil Rights conducts an ongoing technical assistance program to enable education institutions to unnderstand and comply with the various Civil Rights requirements. The 1983 budget proposes to increase this program by $665,000 from $3,748,000 to $4,413,000.

VILLA ALEGRE TELEVISION SERIES

Question: Last year, our Committee commended you on your work with the Villa Alegre TV series which, if I am not mistaken, you supported back in your earlier days as Commissioner of Education. Can you bring us up to date on the current funding for this activity?

Answer: Since 1972, the Department and Office of Education have provided funding for the production and airing of Villa Alegre. Almost all of these funds were authorized by the Emergency School Aid Act, which was consolidated into the block grant program by Congress last year.

In fiscal year 1981, the Department contracted with Bilingual Childrens Television (BC/TV), at a cost of $225,000, to develop a micro-computer-controlled English/Spanish video glossary and video disks for nonbroadcast showings. The project will use sequents from existing Villa Alegre programs. No additional support to BC/TV is currently planned. The current contract with BC/TV will expire on September 30, 1982 and no additional broadcast TV programs are being produced.

Villa Alegre has been cited as an award winning program and it has given the Department considerable exposure and recognition. We anticipate there will be a continued demand for the programs from both public and commercial ETV stations. To facilitate the distribution of these and other high quality programs, the Department will continue to provide funds for dissemination at video tapes.

FINANCING HIGHER EDUCATION

Senator Spector: The Administration has proposed reductions in loan monies, grant programs, and work-study jobs and at the same time has proposed no suitable replacements. How are the low- and middle-income students expected to be able to pay for an increasingly expensive education?

Answer: This Administration believes that grant aid should be reserved for low-income students and that for all others, levels of grant aid should be reduced and replaced by self-help financing, including work and loans. The Administration anticipates that loan volume in the Guaranteed Student Loan program will increase considerably in 1983 and will provide assistance for any student experiencing a decline in grant support. In addition, the NDSL program will provide $435 million in student loans in 1983, through the revolving fund and the College Work-Study program will support 720,000 students in 1983.

RATIONALE FOR WORK STUDY REDUCTIONS

Senator Spector: Last month, the Department of Education specialists testified before this Subcommittee on Federal assistance to higher education. In the testimony submitted, the Administration praised the College Work-Study program as a laudable approach to financial aid. In light of the Administration's philosophy of working for your keep, what is the rationale behind cutting this program it highly praises?

Answer: The College Work-Study program is funded at $397.5 million in the President's Budget for 1983 and will serve 720,000 students. The slight reduction from the 1982 level is needed in order to reduce Federal deficits and to achieve the goals of the President's economic recovery program.

PELL GRANT VALIDATION

Senator Burdick: Regarding the Pell Grants, the universities have said that they were originally asked to validate all student grant notifications as opposed to the 10 percent as in the past. Now the policy is unclear. When do you expect to make a determination on these validation procedures?

Answer: In order to validate all the income information on all Pell Grants, the Department of Education requires a $1.9 million supplemental to finance the resulting additional expenses of the processing contractor. Validation of reported adjusted gross income will produce estimated program savings in excess of $100 million. This emergency $1.9 million supplemental request has been presented to the Congress.

INDEPENDENT STUDENT DEFINITION

Senator Burdick: There has been considerable action in developing a new definition of the independent student. In light of the fact that schools will need to be putting out information on this matter, when do you expect to make a final determination on this matter?

Answer: A redefinition of the independent student is under consideration for the 1983-84 academic year. Any proposed change will be contained in the NPRM for the 1983-84 Family Contribution Schedule. No change in independent student definition is proposed for the upcoming 1982-83 academic year.

CIVIL RIGHTS ENFORCEMENT

Senator Proxmire: I am concerned over the Department's move to narrow its civil rights jurisdiction--more specifically, your recent proposal to exempt colleges from these statutes when the only Federal financial assistance they receive comes in the form of guaranteed student loans. Although past Administrations have judged otherwise, gram as extending financial assistance to educational institutions. Under the new definition, such loans are "contracts of guaranty" and thus eligible for civil rights exclusion. As you know, several of the nation's civil rights laws prohibit any institution from practicing discrimination if it receives Federal financial assistance.

The effect of your proposal, Mr. Secretary, would permit an estimated 325 colleges and universities to blatantly discriminate against blacks and other minorities as well as against women and the handicapped while being subsidized by the Federal taxpayer.

Why would you want to place the Federal imprimatur on such action?

Answer: Based on our review of the legislative history of Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972 and Section 504 of the Rehabilitation Act of 1973 and of a Federal district court decision, we are inclined to believe that the Guaranteed Student Loan and PLUS programs fall within a statutory exemption granted to programs which may be assisted through contracts of insurance or guaranty.

Section 602 of Title VI and Section 902 of Title IX state that the authority of a Federal agency to implement the non-discrimination requirements of those statutes with respect to any program or activity receiving Federal financial assistance does not include programs which are assisted by way of a contract of insurance or guaranty. In addition, Section 605 and 905 provide as follows:

> Nothing in this title shall add to or detract from any existing authority with respect to any program or activity under which Federal financial assistance is extended by way of a contract of insurance or guaranty.

The language of these two parts of Title VI and Title IX, supported by the legislative history, make it clear that programs which "involve guarantees and insurance" are excluded from the effect of these laws.

While Section 504 does not contain an identical provision, its legislative history indicates that it was modeled after Title VI. It is reasonable to assume that Section 504 was intended to be implemented in the same manner as Title VI, thereby requiring the exemption of contracts of insurance or guaranty. Thus, all three statutes exclude from coverage any contract of insurance or guaranty.

We believe that even if the Guaranteed Student Loan program and the PLUS program are considered Federal financial assistance to the college or university, those programs can only be considered programs under which Federal financial assistance is extended by way of a contract of insurance or guaranty. Under these programs, the Department of Education reinsures State and private non-profit guaranty agencies against losses incurred on loans made to students or their parents. In some cases, the Department itself insures loans made by private lenders to students or their parents. In addition, the Department pays the lender the interest on these loans while the student is in school and also pays the lender the difference between market interest rates and the lower rate offered to students under these programs. We believe that neither the reinsurance nor the subsidy is assistance received by the college or university, but rather received by the individual student. Nevertheless, since a primary feature of both the Guaranteed Student Loan program and the PLUS program is the insurance or reinsurance of student loans, these programs clearly are programs under which Federal financial assistance is extended by way of a contract of insurance or guaranty.

Our conclusion is consistent with the decision of the Federal district court in Grove City College v. Harris. The court held that the Guaranteed Student Loan program at Grove City College could not be terminated under Title IX because the program fell within the exemption for contracts of insurance or guaranty. The court rejected the argument that the interest payments made by the Federal Government turn the program into more than a contract of guaranty. The only payment to the student is the loan, which is made by the lender. The Federal interest payment is made not to the student, but to the lender. The court concluded that the interest payments were in fact part of the contract of insurance or guaranty with the lender. As a result, the court held that the Guaranteed Student Loan program was exempt from termination under Title IX.

Based on the foregoing reasons, the Department is inclined to believe that both the Guaranteed Student Loan program and the PLUS program are programs under which Federal financial assistance is extended by way of a contract of insurance or guaranty and are, therefore, exempt from Title VI, Title IX, and Section 504.

Senator Proxmire: Please provide the Committee with a list of the educational institutions that would be affected.

Answer: We have not determined the number of institutions which would be affected, nor which institutions in particular would be affected. Our decision was not based on a desire to reduce the number of schools covered by the civil rights laws. It was based on our interpretation of what these laws require.

FEDERAL ROLE IN HIGHER EDUCATION FINANCE

Question: How would you define the Federal role in higher education, as reflected in the Department's fiscal 1983 budget?

Answer: The Federal Government shares responsibility for the financing of higher education with States and localities, institutions, students and parents. The 1983 proposed budget provides $4.3 billion in direct appropriations for student aid. The Department of Education anticipates that this appropriation level will result in $12.6 billion in financial assistance being made available to students, an increase from the prior year. This assistance will be almost entirely need based, will be directed toward lower-income students and will account for approximately one out of every six dollars received by higher education institutions in 1983.

The Administration believes that this represents a substantial Federal commitment to higher education and that States and localities, as well as institutions must assume greater responsibility for higher education financing.

The Administration also believes that the main responsibility for financing higher education should rest, when financially possible, with those who benefit most from the education--the students. For this reason, the 1983 President's Budget stresses assistance through loans as opposed to grant aid.

Question: In your opinion, what role, if any, should the Federal student aid programs play in helping to maintain access to postsecondary education, and choice of institution?

Answer: The 1983 President's Budget request for student financial assistance is focused on providing access for low-income students students to an average cost four-year public institution. The Administration's commitment to the goal of access is firm and the budget has been carefully developed to maintain this goal.

To some extent the Federal government can assist in providing students choice. Efforts toward this goal include the expansion of family borrowing limits through the PLUS program. However, the Federal cost of providing full choice to each student in the nation would run many billions of dollars above current appropriation levels. The current array of student aid programs does not provide this type of support. To fund such a goal would increase Federal deficits and would work contrary to the President's efforts to achieve a national economic recovery.

Question: Do you believe this budget maintains access?

Answer: The President's 1983 Budget Request provides access for any student wishing to attend an average cost four-year public college. The Pell Grant program provides $1,600 through direct grant aid or expected family contribution and the Guaranteed Student Loan program provides another $2,500. Student savings from summer work can contribute another $700. In this way, Federal assistance, in combination with self help efforts, will ensure access to an average cost four-year public college. The student can also choose to work part-time during the school year, including work funded through the Work-Study program and can seek assistance from the State and from the institution.

Question: The Administration is proposing to reduce the appropriation for Pell Grants from $2.279 billion in fiscal 1982 to $1.4 billion in fiscal 1983. The Department estimates this would reduce the number of recipients from roughly 2.7 million to 1.8 million, and the maximum grant would drop from $1,800 to $1,600.

How does the Department rationalize a 38 percent reduction in funding?

Answer: The Middle Income Student Assistance Act has resulted in an explosive growth in Federal expenses for student aid. In just three years, from 1978 to 1981, the Department of Education's student aid budget surged by over 50 percent, despite much lower enrollment and educational cost increases. The President's 1983 Budget attempts to control costs and direct assistance toward low-income students. Middle-income students experiencing a reduction in Pell Grant assistance will be able to use the Guaranteed Student Loan program to obtain additional financing.

EFFECT ON PELL GRANT RECIPIENTS

Question: What group of students would primarily lose benefits?

Answer: The proposed 1983 budget for Pell Grants will primarily affect middle-income students who now generally receive a small Pell Grant. The Middle Income Student Assistance Act has liberalized need based criteria so that a student from a family of four with an income of $27,000 can now receive an award. The Pell Grant budget proposal for 1983 has an income cut off of between $18,000 and $19,000. Students with a family income between $18,000 and $27,000 will be most affected by the proposed 1983 budget for Pell Grants.

Question: Implicit in this cutback is the notion that the Pell Grant program has been serving a much larger population than it really ought to. Do you feel that this is the case? Why?

Answer: The Administration is committed to maintaining the goal of access for students with insufficient financial resources to allow them to attend an average cost four-year public institution. The support provided through the Pell Grant program to low-income students forms the cornerstone of this commitment.

You are correct in stating that the Administration believes the program currently serves a larger population than it should. The Administration believes that grant aid should be directed to the needy and that a greater measure of self-help must be required of others. For this reason the budget requests a reduced level of grant aid but also provides for an increased level of loan volume.

PROPOSED CHANGES IN NEED ANALYSIS SYSTEM

Question: The Department is also proposing a set of changes to simplify the administration of the Pell Grant program.

Could you briefly describe these?

Answer: The Administration is proposing to greatly simplify the needs analysis process by reducing the number of criteria from twenty-two to six. The student will be required to supply far less information, the institution will have fewer items to verify and the processing contractor will have fewer data elements to process.

The only elements which would be used to determine need would be family and student taxable and non-taxable income, the amount of Federal taxes paid, the number of dependents and the amount of cash and investment assets.

Question: As you simplify the eligibility determination criteria, how can you guarantee that more well-to-do people with a good knowledge of accounting, won't qualify for Pells?

Answer: The Pell Grant will be based primarily on adjusted gross income with number of exemptions used to determine the appropriate family size offset. In the majority of cases these can be verified through the Federal 1040 tax form. A good knowledge of accounting will offer no benefit for Pell Grant eligibility since straight factual information will be the basis for award.

TUITION LEVELS

Question: Your budget justification suggests that as Federal support for higher education has increased, tuitions have risen. You go on to state: "To address this rising spiral of costs and Federal payments, and to thereby control one source of inflationary pressure, the 1983 budget proposes to reduce the level of Federal contribution to student financial assistance."

On what evidence do you base your assertion that increased Federal support of higher education is a major contributory factor in increasing tuition costs?

Answer: The quote from the budget justification does not state nor imply that Federal support of higher education is a major contributing factor in increasing tuition costs. The assertion that increased Federal payments contribute to inflation is more related to Federal deficits than to college tuitions. Between 1973 and 1979 Federal financial support of higher education increased 400 percent while college costs nearly doubled. Postsecondary institutions in many cases appear to have passed along increasing costs by raising tuition, anticipating that the Federal Government would simply increase its expenditures to students to cover these costs.

Question: What makes you think that cutting back on Federal support will stabilize or help reduce tuition costs?

Answer: One of the elements contributing toward inflation in the national economy is the Federal deficit. All citizens and organizations in the nation feel the debilitating effects of inflation including colleges and universities which are forced to raise tuition levels in order to meet increased costs. Reduced Federal appropriations will reduce the Federal deficit and will help halt inflation. Generally, were it not for inflation, tuition increases would be unnecessary. In order to reduce inflation, higher education must share in Federal budget reductions.

REDUCTION IN WORK STUDY RECIPIENTS

Question: How many fewer students will receive jobs under this appropriation request?

Answer: There will be a reduction of 230,000 students served by the Work-Study program under the 1983 President's Budget request as compared with the Continuing Resolution for 1982.

Question: How many of the jobs provided through this appropriation are off-campus, that is, not directly working for the college or university?

Answer: Approximately 87 percent of the jobs funded through the Work-Study program are on-campus and approximately 13 percent are off-campus.

ACADEMIC STANDARDS

Question: What can the Department do right now through regulatory action to enforce tougher academic standards?

Answer: The Department recognizes that some students receiving student financial assistance are not making satisfactory progress. For this reason, we have proposed a maximum time period of attendance at a postsecondary institution during which a student may receive student financial assistance. We propose that students be eligible for financial support for no more than five academic years.

The Department does not believe, however, that enforcing academic performance standards is a proper Federal role and it will take no regulatory action to do so. This, we believe, is a matter more properly addressed by the higher education community.

Question: What do you believe a reasonable standard to be? A "C" average? If not, why?

Answer: The Department believes that the higher education community should establish norms for academic progress and that any action by the Federal Government in this area would be intrusive. Each institution must be responsible for the reasonableness and quality its own standards.

SUBCOMMITTEE RECESS

Senator SCHMITT. The subcommittee will recess until Monday, May 3, when we will meet in this room at 1:30 p.m., to receive testimony from non-Departmental witnesses on fiscal 1983 appropriations for the various programs under the jurisdiction of the subcommittee, the first of 4 days of public witness hearings that ought to be fairly interesting as well as quite long.

Secretary BELL. I would hope that the chairman could persuade all of them to confine their discussion to spending within the confines of the $10 billion total budget. I'm sure the chairman is weary of hearing that, but I wanted to pause if I can on this program for that commercial, and then I'll be quiet.

Senator SCHMITT. Well, I don't know how persuasive I can be on that subject, Mr. Secretary.

Secretary BELL. Well, we're worried about—to use the President's term—a budget-busting effort. If we can hold our Department's budget to $10 billion I'll be elated.

Senator SCHMITT. Well, if we can just—if the States can just remember that 31 of them so far have asked for a balanced budget maybe we'll make a little progress.

Thank you very much, sir.

Secretary BELL. Thank you.

[Whereupon, at 3 p.m., Thursday, April 29, the subcommittee was recessed, to reconvene at 1:30 p.m., Monday, May 3.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

MONDAY, MAY 3, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 1:30 p.m. in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Quentin N. Burdick presiding.

Present: Senator Burdick.

NONDEPARTMENTAL WITNESSES

LABOR PANEL

STATEMENTS OF:

RUTH E. KOBELL, LEGISLATIVE ASSISTANT, NATIONAL FARMERS UNION, WASHINGTON, D.C.

JAMES M. HACKING, ASSISTANT LEGISLATIVE COUNSEL, NATIONAL RETIRED TEACHERS ASSOCIATION AND AMERICAN ASSOCIATION OF RETIRED PERSONS, WASHINGTON, D.C.

PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, AMERICAN LEGION, WASHINGTON, D.C.

SAMUEL J. SIMMONS, PRESIDENT, THE NATIONAL CAUCUS AND CENTER ON BLACK AGED, INC., WASHINGTON, D.C.

DEL BEGAY, TRIBAL INTERPRETER, PUEBLO OF LAGUNA, REPRESENTING THE INDIAN AND NATIVE AMERICAN CETA COALITION, LAGUNA, N. MEX.

JON WEINTRAUB, ASSOCIATE DIRECTOR AND LEGISLATIVE COORDINATOR, NATIONAL ASSOCIATION OF COUNTIES, WASHINGTON, D.C.

Senator BURDICK. The hearing will come to order.

Good afternoon.

In the past 8 months, the Subcommittee of Labor, Health and Human Services, and Education has taken testimony from dozens of witnesses supporting the administration's fiscal 1983 budget request. Now it is the public's turn to give us its views on the new budget, to let us know whether it agrees or disagrees with what the administration has proposed.

During this week the subcommittee will hear testimony from approximately 160 public witnesses sitting on 27 panels. These public witnesses represent a cross-section of associations, organizations, and universities concerned with agencies and programs under the subcommittee's jurisdiction.

This afternoon we will welcome four panels of public witnesses. These panels will present testimony on the budgets, policies, and programs of the Department of Labor and of several of the Department of Health and Human Services agencies: the Health Services Administration, the Centers for Disease Control, and the National Cancer Institute.

We have limited each panel to a 30-minute presentation. In order to accommodate the large number of witnesses, we ask that you abide by the 30-minute limitation.

STATEMENT OF RUTH KOBELL

And our first witness this morning will be Ruth Kobell, legislative assistant, National Farmers Union.

It is a pleasure to see you again. We have seen you many times in this area before, and we are glad to have you back.

Mrs. KOBELL. I appreciate the opportunity to appear.

Senator BURDICK. I think it would be well if you have the whole panel come to the table at this time.

Mrs. KOBELL. Senator, I appreciate the opportunity to be here.

I have prepared a statement which gives some review of the title V of the Older Americans Act, the Senior Community Service Employment program. And I would like to summarize that statement.

I would appreciate it if the statement in full could appear in the record.

Senator BURDICK. This statement and the statement of all the panelists will be received without objection.

Mrs. KOBELL. I understand this is a hearing on the fiscal year 1983 appropriations process. I appear to urge you to provide $296.5 million to continue title V of the Older Americans Act, the Senior Community Service Employment program at the present level of 54,200 jobs.

The National Farmers Union is, of course, proud to have sponsored the Green Thumb program, which was started some 16 years ago as a demonstration of the ways in which the skills, experience, and commitment of older workers in rural areas could be used to improve the services and facilities for their neighbors in rural America.

We appreciated President Reagan's strong statement on April 2 opposing discrimination in employment because of age. And I have quoted from that statement, because we believe that this is one of the major, if you will, civil rights battles that are yet to be fought.

In terms of opportunities for employment, we recognize that even though we pass laws, we already have legislation opposing discrimination on the basis of age in employment, that we still have many challenges in finding employment opportunities for older people, particularly those who have limited education and have recently not been in the full-time labor force.

In my statement, I review some of the efforts that Green Thumb has pursued over the years, both in terms of finding employment in the program and in developing job opportunities outside the program for their workers, thus opening up additional opportunities for others who come on the program.

We have always had a great many other people than we were able to accommodate in this kind of program.

We started way back, about 12 or 13 years ago, in working out a project called Green View out in Minnesota whereby older workers are hired to maintain the rest stops along the interstate. This takes people off our Green Thumb program and finds them under the highway trust fund, managed by the State of Minnesota. This is one example of the continuing effort to place more and more people in private employment.

One of the recent demonstrations has been in our District of Columbia project which placed 10 people in training with Pepco for full-time employment. I know you are familiar with the program. You have followed it, and you have supported it. And we appreciate the comments and the questions that you and Senator Schmitt raised in the April 20 hearing with Secretary Donovan. We were glad to know that he still is working with the White House to try and get support to expand the funding for the title V program.

I think you may remember that in the fiscal year continuing resolution, which now funds the Labor Department, the funding for title V was cut from $277 million, which they now have, to $66 million. Although $69 million of that would represent 3 months of funding, this was an effort to cut back on budget exposure in fiscal year 1982.

An additional 4 percent was cut as part of an overall cut in that appropriation. And this is the first time since we started the program that there has been a cut in support for that program.

We urge not only that you concern yourselves with the fiscal year 1983 funding, but that you also are aware of the need for an additional $210 million under fiscal year 1982 to expand, to continue the program for the full year.

Last fall, after the initial continuing resolution was passed, Congress also passed and the President signed—on December 29, I believe—the Older Americans Act. Under that act, the program year of July 1 to June 30 is written into law for title V.

There is legal opinion that now says that if we have only $66 million it might be necessary, under interpretation of the law, to spread that out over 12 months, rather than the original 3 months that was outlined, so that we would, if that held, have to fire 75 percent of the title V workers on July 1.

We hope it will be possible before that time to find ways to expand that funding so that we can continue to keep these workers in their communities, serving not only other older people but the community at large.

I know that we have a number of programs to be considered this afternoon, and I wanted to outline these details for the program for your consideration. I will be glad to answer any questions.

Senator BURDICK. I think the procedure for this afternoon will be to hear all of the panelists, and then I will ask general questions and you can grab any one you want.

Let's go to the next speaker.

STATEMENT OF JON WEINTRAUB

Mr. WEINTRAUB. I am associate director with the National Association of Counties.

We are here today to review our interests in the broad variety of issues before the subcommittee, but will primarily emphasize the employment area in the oral presentation.

Last year, as a result of the 1982 budget cuts, county governments received an approximate 15 percent reduction in Federal funding. While counties across the country tried to maintain service levels despite these cutbacks, the general picture has been where counties have had to raise either property taxes or sales taxes, which is obviously a policy that is viewed unfavorably by the citizens and, in return, the citizens receive a cutback rather than an increase in services.

In the employment area, it appears now, with the status of debate, that we will not have—although I hope I am wrong—we will not have a new piece of employment and training legislation out of this Congress because of the stall in the Senate.

Therefore, the 1-year trigger in the Omnibus Reconciliation Act will trigger and extend the existing CETA program, primarily, its training function for another year.

I think with that mind, it is important to look at what has happened this year. Just in the summer jobs program, which we are coming up against very soon, prime sponsors were cut 20 percent in new obligational authority and 15 percent in availability. This occurred at the same time that $10.3 million of summer youth funds were a part of the $88 million deferral that the administration set up.

This past year, in addition to that, there was a minimum funding level for title IV–A youth training programs. Yet, when the third continuing resolution came out and the 4 percent across-the-board cut occurred, 267 prime sponsors out of the 470-some-odd were cut from that $200,000 minimum to $150,000. And some received—close to 200 received the full $50,000 cut, while 68 received less than $50,000.

In the 14 States represented by the subcommittee, 53 prime sponsors in the States received those cuts.

I think with regard to youth unemployment, and just taking that as a microcosm of total funding picture for employment and training programs, I think there is a crying need for a supplemental, with unemployment rates over 9 percent for this summer's program at a minimum, given the fact that the reconciliation bill allows a 20 percent transfer between the year-round program and the summer youth program. So that would take care of itself if some additional funds were provided for one of those parts.

While we realize that the restrictions—at least on the House side—and the urgent supplement are there, we would hope that you would take a hard look at this need and act on it.

With regard to mine safety and health, we urge that the explicit exemption of State and local governments' sand, gravel, and stonepit operations continue. Basically, Senator Melcher's language, which is in his bill, S. 496, should be continued, as occurred in your last continuing resolution.

There is more detail in this testimony before you on welfare and social services and health issues. But I will stop here.

STATEMENT OF JAMES M. HACKING

Mr. HACKING. I am assistant legislative counsel for the National Retired Teachers Association, American Association of Retired Persons.

As I am sure you are aware, these organizations have a very large membership. It is well in excess of 13 million people, age 55 and older.

With the association statement included in the record, I will summarize the principal points.

At the outset, I want to stress the associations believe that the projected budget deficits have to be reduced and the budget ultimately brought into balance as an essential step in insuring control over inflation and assuring revitalization of the economy. And we recognize that the Congress has to examine every budget item with great scrutiny.

In many cases, spending reductions are going to be necessary and even desirable. But some programs should not be cut because they are cost-effective, they respond to vital national needs, or they offset other public program expenditures which entail larger costs in the long run.

The latter point is particularly true in the case of the title V senior community services program. The associations want to emphasize in the strongest language possible that title V should be funded at a sufficient level to provide at least 54,200 positions which serve approximately 80,000 low-income, elderly persons on an annual basis.

The need for title V has never been greater because the poverty and unemployment rates arising sharply among the elderly population—approximately 800,000 persons 55 or older have been added to the poverty roles, increasing the total from about 5.1 million in 1978 to 5.9 million at the end of 1980.

Unemployment among the elderly has jumped by 29 percent, from 535,000 last July to 691,000 in March. This figure may well increase in the months ahead.

We also recommend that title V be forward funded for the period October 1, 1982, through July 1983—through June 1983. This is imperative now, because the 1981 Older Americans Act codified the forward funding provision that was to continue the practice of funding on the July 1 through June 30 fiscal year basis. Unless forward funding is restored, the SCSEP program will either be cut back sharply or conceivably terminated during the 9-month period beginning October 1, 1982, and ending June 30, 1983.

I would like to summarize briefly some of our other funding recommendations.

First, the Associations recommend that funding for the congregate and home-delivered meals program under the Older Americans Act be maintained at the fiscal 1982 levels, $286.7 million for congregate meals and home-delivered meals.

The proposed cut of $49 million from the nutrition program would cause a 69,000 reduction in meals served on a daily basis.

Second, we urge the subcommittee to continue funding for the Low-Income Energy Assistance program at approximately $1.9 billion. Energy costs have increased roughly 2½ times more rapidly than the overall inflation rate for other items in the Consumer Price Index since 1973. This has created major problems for the elderly because many simply do not have sufficient margin between income and outgo to absorb these escalating energy costs.

And the associations urge that the railroad retirement dual benefit provision should be fully funded instead of cut back 20 percent. Approximately 400,000 retirees are expecting to receive the entire benefit that they were promised and on which they have been relying.

In conclusion, our associations recognize that there are many competing pressures upon the subcommittee from various groups affected by the Labor-HHS Appropriations Bill. We further realize that every effort must be made to reign in unnecessary spending.

However, we believe that our proposals are reasonable and realistic. And we hope the subcommittee will adopt them.

Thank you.

Senator BURDICK. Thank you.

Next.

STATEMENT OF SAMUEL J. SIMMONS

Mr. SIMMONS. I am president of the National Caucus and Center on Black Aged, the only organization in the Nation that focuses exclusively on the needs of the elderly blacks.

We appreciate this opportunity to come today to testify on title V, the Senior Community Service Employment program.

We strongly believe that title V is one of the most successful, if not the most successful, employment programs ever enacted. It has been enormously effective for elderly blacks.

If it is terminated, about 12,150 older blacks would become unemployed. They would lose approximately $62 million in wages and other fringe benefits, which is about $4.1 million contributed to the Social Security through FICA.

In all likelihood, they would experience great difficulty in locating alternative employment because of the tight job market and the grim economic outlook. Many, if not all, would be unemployed for long periods of time. Some would never find jobs.

We urge the subcommittee to reject the administration's proposal to terminate the SCSEP and replace it with special targeted programs for several groups, including migrants, ex-offenders, older persons, and others.

NCCBA believes that aged blacks, as well as older Americans, would lose greatly under this special target program.

The harsh reality is that this proposal is flawed and an unworthy substitute, which should under no circumstances be a suitable replacement for title V.

First, it is inadequately funded to accomplish what title V does now on behalf of older Americans.

The fiscal 1983 budget requests only $200 million to assist a long laundry list of diverse constituent groups to be served under the special target programs. Title V is funded at $277.1 million for the 1981–82 program year.

Second, the proposed special target program does not offer jobs for older blacks and other elderly persons. The overall emphasis is to provide training and other employment services. But realistically, this is not likely to help other blacks and other title V enrollees, because jobs are scarce or virtually nonexistant in the areas.

The harsh reality is that older blacks could be trained for jobs that will not exist as a practical matter. It would be virtually impossible for the typical title V enrollee to find employment in today's grim job market, even with top-flight training.

The private sector has not demonstrated the willingness to hire people with limited education and work skills that may be outdated. We do not believe that it makes good sense economically, politically, or otherwise to terminate a program as successful as title V when the national unemployment rate now equals the highest level since 1941. The likelihood is that the rate will climb higher and higher.

Abolishing title V will only make a very bad situation worse, especially for older blacks.

Unemployment has already jumped by 60 percent for blacks 55 or older from July 1, 1981, to March 1982. The unemployment rate is currently 8.8 percent. But this figure only illustrates one aspect of the bleak economic picture for the older blacks; it does not reflect the substantial amount of hidden unemployment and underemployment among older blacks. It does not include those older blacks who took social security benefits before age 65 as a last straw because they had exhausted their unemployment benefits or gave up looking for jobs after a prolonged and futile search.

Eliminating title V would be costly for our Nation, economically, socially, and otherwise. It will add to already rapidly growing unemployment costs. In fact, some estimates project that unemployment benefits will be increased by an much as $45 million if title V is abolished. This is just a starter.

Other assistance costs will also rise, food stamps, medicaid, SSI, housing assistance, and other costs. And there need not be a Harvard economist to realize that older Americans are on an economic treadmill and losing the race. The overall economic situation is bleak for all older Americans, but it is about three or four times worse for elderly blacks.

In fact, aged blacks are more than three times as likely to be poor as whites 55 or over. Thirty-three percent of all blacks 55 or older live in poverty in 1980, compared to less than 11 percent for elderly whites. Poverty has increased by 20 percent for older blacks in just 2 years, from 1.1 million in 1978 to more than 1.3 million in 1980.

In addition, another one-half million blacks 55 or older were marginally poor in 1980. They were not officially living in poverty, but just barely above it, with 25 percent at bare-bones poverty thresholds.

The net impact is that 1.8 million elderly blacks, or 46 percent of all blacks 55 or older, either lived in poverty or so close to it in 1980 that they really could not appreciate the difference.

Thank you.

Senator BURDICK. We try to keep our time to about 5 minutes apiece, because we have several panels here today.

STATEMENT OF DEL BEGAY

Mr. BEGAY. I am the tribal interpreter of the Pueblo of Laguna and appear before the committee on behalf of Gov. Harry L. Early and the people of Laguna and those of other Indian tribes and organizations around the country that participate in the Department of Labor Employment and Training programs. These programs have been vital to the effort to improve the well-being of Indian people. At the Pueblo of Laguna our program has provided skilled training for our workers and give them and the tribe the talent we need to grow and develop.

The employment component of our program has provided valuable work experience to tribal members. At the same time it has strengthened all aspects of tribal operations from preschool services for the young to health care for the sick, to homemaker services for the elderly and disabled, to law enforcement, fire and rescue services servicing all of the residents of the Pueblo. Among Indian workers on a reservation and off-reservation areas the story is similar. Indian CETA programs have given people skills, have upgraded their educational levels, helped them find jobs wherever they were available. Indian communities have benefited from the development of tribal enterprises to create more jobs and from the essential community services which an employed Indian work force can provide.

Over the past year we have watched helplessly as many of these gains have begun to slip from our grasp. The Indian CETA funds that have made these gains possible have practically vanished. At the Pueblo of Laguna our CETA allocations were cut by 62 percent from January 1981 to January 1982. Our situation is typical of other tribes in New Mexico who lost from 52 percent to 77 percent of their CETA funds during this period. In other States the pattern is very similar.

One of the cruelest ironies of this situation is that the proportion of the CETA funding cuts we have suffered is exceeded by the proportion of our people that are now unemployed. At Laguna, for instance, while we were losing 62 percent of our employment and training resources, our employment climbed to over 70 percent of our total available labor force.

As bad as the current situation is, I understand that your committee has been asked to approve even further cuts for fiscal year 1983. The President's budget request called for an overall cut in employment and training money of 37 percent from a total of approximately $3.8 billion available this fiscal year to only $2.4 billion for the next fiscal year. The President's budget for fiscal year 1983 did not mention any specific figure for Indian job training programs. It only suggested that Indian programs would have to share a limited sum of money also intended to cover the needs of programs for older workers, veterans, the handicapped, displaced workers, farm workers, and many, many others. If your committee were to approve the President's budget request even with the protection of the funding formula in the bill now under consideration in the Senate Labor Committee, the people of Laguna would expect to see its Department of Labor job training allocations cut by 47 percent from the current fiscal 1982 level, which, in turn, represents a 62-percent cut from our fiscal year 1981 level. In other words, the Department of Labor support for job training on our reservation will drop 80 percent in just 2 fiscal years.

Among other tribes in New Mexico the 2-year cut will go as high as 90 percent. What this would mean is clear. All employment services will disappear in many smaller Indian communities. There just is not enough money to go around. Indian economic development projects intended to provide long-term, unsubsidized jobs for our people would come to a halt. There will not be any money to help support the labor start-up expenses. Indian unemployment will reach even more astronomical levels, reaching as high as 80 percent in some areas. At the very same time the vital community services Indian employment programs provided will cease. The dependency of the people on public assistance will be certain to increase.

Even the Office of Management and Budget has predicted an 11-percent rise in the BIA's general assistance caseload for fiscal year 1983. This kind of policy would represent the abandonment of the economic future of Indian people. It cannot be allowed to happen. We ask the committee to closely examine what is going on in Indian communities and to act in two ways: First, take whatever action is necessary to insure that Department of Labor funding for Indian employment and training programs remains at no less than the fiscal year 1982 level; second, take an equally sober look at other Indian programs within the committee's jurisdiction and insure that they too are not allowed to disappear in the false name of an economic program which spells economic disaster in Indian country.

Senator Burdick, I thank you for the privilege and honor to offer this testimony in behalf of the Pueblo of Laguna and my fellow Native Americans. Thank you.

Senator BURDICK. Thank you. I would say that Senator Schmitt regrets he could not be here today.

STATEMENT OF PAUL S. EGAN

Mr. EGAN. I am deputy director of the American Legion, and I would like to begin by saying that apart from the subject matter of today's hearing how much we appreciate your interest in restoring funding to the business at hand. I think everyone here at this panel is here after some portion of the budgetary pie. I would advise you that veterans as a constituency of people transcend all of the boundaries: Older Americans, Native Americans, younger people, farmers.

We feel that the text of our statement makes a case for specific line item funds for the programs for veterans within the Department of

Labor. We think the enactment of Public Law 96–466, with the full Assistant Secretary of Labor for Veterans' Employment, is justifiable. Heretofore veterans' programs have been funded as veteran services under the Employment and Training Administration. There are several good programs within the Department of Labor. We feel that they could be tightened up. We feel that they could be made more effective, if all of those programs were subsumed under the Assistant Secretary of Labor for Veterans' Employment. We have no particular quarrel with the administration's request for funding for the Department of Labor's programs for veterans with perhaps one exception and that being the State Employment Security Agency operations which, of course, are vital to the operation of the disabled veterans outreach program, as well as the local veterans employment representatives.

We do believe, however, that in order for all of those programs to function adequately that it will be necessary for those programs to be specifically identified within the budget as so much money for disabled veterans outreach programs, so much money for local veterans employment representatives, so much money for the Veterans Employment Service, so much money for the Office of Veterans Reemployment Rights, and so on.

While we are not here asking for additional funds, we are here asking that those funds be specifically identified.

That concludes my remarks, Mr. Chairman.

QUESTIONS

Senator BURDICK. Thank you very much.

We have about 5 minutes of questions here, and we will go through them as fast as we can.

The Department of Labor is proposing a set-aside of $200 million in the form of Secretary's Discretionary Funds to take the place of existing programs for older workers, migrants, Indian and special target groups, such as veterans.

Since these programs are currently funded at nearly $500 million, what will be the impact of these reductions beyond the programs and services provided by your organizations? Can anybody speak to that?

Mr. WEINTRAUB. I would like to take a shot at it. I think that structure assumes the administration bill, S. 2184, was not considered or moved by the subcommittee that got the bill. That bill for all practical purposes, is dead. So that the structure that included a set-aside of $200 million that lumped all of those programs together is no longer viable. So I think the question is kind of moot at this point, and one needs to look at how much each these programs need under the structure of the existing authorizing legislation that provides authorization for those.

Mrs. KOBELL. I would point out, in relation to title V, of course, it would do away with the title V program as we have known it, because the basis of the Senior Community Service Employment program has been jobs delivering community services. There are no stipends, as I understand it, proposed or wages proposed under this program. It would simply be focused on what is called a training and employment assistance type of thing, so that it would be a considerable departure from delivering the needed community services that we now know under title V.

Senator BURDICK. Do you think that the private sector is willing and able to make up for some of the reductions in Federal spending on employment and training?

Mr. EGAN. I think it is accurate to say that the private sector can, to some extent, but not without some degree of assistance from the Federal Government. We know, for example, that there is draft legislation circulating around the House that would authorize, for example, approximately somewhere between $5 and $20 million for the purpose of establishing, at least for veterans' community-based organization—we know of two such programs, one operating in Maine and one operating outside of Pittsburgh, which have been tremendously successful in placing veterans specifically. And I do not see any reason why those programs could not be of assistance to other groups of individuals that need employment as well.

Senator BURDICK. Any other comments?

Mrs. KOBELL. I would simply say there has been no demonstration today that without the additional pressure of reaching such groups as older workers, as displaced homemakers, as some of the other disadvantaged in the work force, are private employers, in large, moving to bring those groups in for employment without some preliminary work-up of opportunities.

Senator BURDICK. The fiscal 1983 budget submitted to Congress proposes elimination of the senior community service employment program. I have three parts to my question. What impact would this proposal have on the employable elderly? How many individuals would lose their jobs as a result of this proposal? And how many of these individuals do you realistically expect to find other jobs replaced by other Federal programs?

That is a big question, and maybe you cannot answer it all here today, but does anybody want to try it?

Mrs. KOBELL. I do not want to monopolize this. Of course, presently there are probably close to 80,000 people a year served under this program, even though the authorization level is 54,200—they would be out of a job. As I just pointed out, it is only through a very aggressive private placement program that we are able to meet targets of 15 percent of those groups. So without the trained staff to work on employment, I would be afraid that a large majority of them would.

I believe the third part of the question escapes me. Perhaps somebody else would like to comment on that.

Mr. SIMMONS. From my point of view, there is no question that the handicapped and the minorities and other hard-placed workers would be totally out of a job, if this program were not renewed. We know in terms of looking at our own program and looking at other programs that a majority of the some 12,000 minorities who are involved, blacks who were involved, would be out of work, were it not for the public service aspect of this program.

Mr. WEINTRAUB. I would like to approach your question in a slightly different way. It is our organization's best current judgment that we will be existing again in fiscal year 1983 under a continuing resolution. Therefore, the issue is whether you draft that in relation to availability for fiscal 1982 or budget authority levels for fiscal 1982. And I would urge this subcommittee and its work on the full committee that you look at the availability figures for fiscal 1982.

Senator BURDICK. One last question, and then we will go on to the next panel. What recommendation do you have for replacing the expiring Comprehensive Employment and Training Act? What modification would you suggest making to improve this legislation, if we kept it?

Mr. WEINTRAUB. We have testified before the Joint House-Senate hearings on that subject. Specifically, we favor the delivery system and structure under the Hawkins bill in the house. We feel—I think the consensus that has worked out in the Senate is a good vehicle to move that debate to full committee, so that we can get a bill out of the Congress. Unfortunately, the administration, which has gotten about 80 percent of what it wants in this compromise between majority and minority, is taking the position that if they do not get 100 percent, they will not play, and as a result, are pushing Senator Hatch not to mark up the bill in full committee. There is a real danger, as I mentioned earlier, that the bill will not be reported out by May 15.

Senator BURDICK. The statements of the panel will be inserted in the record at this point. We will have a recess until the sound of the gavel. Thank you all.

[A brief recess was taken.]

[The statements follow:]

STATEMENT OF SAMUEL J. SIMMONS

Recommendations

The Title V Senior Community Service Employment Program under the Older Americans Act should be funded at a sufficient level to maintain the current 54,200 positions. Additional jobs should be provided for low-income older persons if it would be possible to achieve this objective within the constraints of the budget.

The Subcommittee should reject the Administration's proposal to terminate the SCSEP and replace it with a Special Targeted Program.

Rationale:

1. Title V is one of the successful employment programs ever developed. A program as effective as Title V should be continued, instead of terminated.

2. Abolishing Title V would be costly for our Nation. Unemployment payments, according to some estimates, would increase as much as $45 million.

3. The Special Targeted Program is not a suitable replacement for the SCSEP. It does not provide jobs for older persons, and it is inadequately funded.

4. Title V is urgently needed now because unemployment has risen sharply for older Blacks and other elderly persons.

5. It is also needed to combat poverty, which has increased sharply for older Americans between 1978 and 1980.

Mr. Chairman and Members of the Subcommittee, I am Samuel J. Simmons, the President of the National Caucus and Center on Black Aged -- the only national organization in the United States focusing exclusively on the needs of elderly Blacks.

NCBA appreciates the opportunity to testify on the need to retain the Title V Senior Community Service Employment Program.

We strongly believe that Title V is one of the most successful -- if not the most successful -- employment programs ever enacted. It has been enormously effective for elderly Blacks.

If Title V is terminated -- as the Administration recommends -- this would be another serious blow to the economic well-being of Blacks 55 years or older. About 12,150 older Blacks would become unemployed if Title V is abolished. They would lose approximately $62 million in wages and other fringe benefits, of which approximately $4.1 million is contributed to Social Security through FICA deductions. And, in all likelihood, experience great difficulty in locating alternative employment because of the tight job market and grim economic outlook. Many, if not most, would be unemployed for long periods. Some would never find another job.

NCBA urges the Subcommittee to reject the Administration's proposal to terminate the SCSEP and replace it with a Special Targeted Program for several groups, including migrants, Indians, ex-offenders, older persons and others. NCBA believes that aged Blacks, as well as other older Americans, would lose greatly under the Special Targeted Program. The harsh reality is that this proposal is a flawed and unworthy substitute which would, under no circumstances, be a suitable replacement for Title V.

First, it is inadequately funded to accomplish what Title V does now on behalf of older Americans. The fiscal 1983 budget requests only $200 million to assist the long laundry list of diverse constituent groups to be served by the Special Targeted Program. Title V, however, is funded at $277.1 million for the 1981-82 program year.

Second, the proposed Special Targeted Program does not offer jobs for older Blacks and other elderly persons. The overall emphasis is to provide training and other employment services. But realistically, this is not likely to help older Blacks and other Title V enrollees because jobs are scarce or virtually non-existent in so many areas of the country. The harsh reality is that older Blacks could be trained for jobs that just do not exist.

As a practical matter, it will be virtually impossible for the typical Title V enrollee to find employment in today's grim job market, even with top flight training. The private sector has not demonstrated a willingness to hire people with limited education and work skills that may be outdated.

We do not believe that it makes good sense -- economically, politically or otherwise -- to terminate a program as successful as Title V when the national unemployment rate now equals the highest level since 1941. The likelihood is that the rate will climb higher and higher.

Abolishing Title V will only make a very bad situation worse, especially for older Blacks. Unemployment has already jumped by 60 percent for Blacks 55 or older from July 1981 to March 1982. Their unemployment rate is currently 8.8 percent, but this figure only illustrates one aspect of a bleak economic picture for older Blacks. It does not reflect the substantial amount of hidden unemployment and underemployment among older Blacks. It does not include those older Blacks who took Social Security benefits before age 65 as a last straw because they exhausted their unemployment benefits or gave up looking for a job after a prolonged and futile search.

Eliminating Title V will be costly for our Nation -- economically, socially, and otherwise. It will add to our already rapidly growing unemployment costs. In fact, some estimates project that unemployment payments will increase by as much as $45 million if Title V is abolished. This is just a starter. Other assistance costs will also rise precipitously -- food stamps, Medicaid, Supplemental Security Income, housing assistance, and other costs.

You do not need to be a Harvard economist to realize that older Americans are on an economic treadmill. And, they are losing the race. The overall economic situation is bleak for all older Americans, but it is about three to four times worse for elderly Blacks.

In fact, aged Blacks are more than three times as likely to be poor as Whites 55 or older. Almost 34 percent of all Blacks 55 or older lived in poverty in 1980, compared to less than 11 percent for elderly Whites. Poverty has increased by 20 percent for older Blacks in just two years, from 1.1 million in 1978 to more than 1.3 million in 1980. In addition, another one-half million Blacks 55 or older were marginally poor in 1980. They were not officially living in poverty but just barely above it -- within 25 percent of the bare bones poverty thresholds. The net impact is that 1.8 million elderly Blacks -- or 46 percent of all Blacks 55 or older -- either lived in poverty or so close to it in 1980 that they really could not appreciate the difference. In other words, almost one out of two older Black Americans is either poor or marginally poor.

Over the years, this Subcommittee has been a strong and enthusiastic supporter of Title V. We urge you to continue your support of Title V by voting a sufficient level of funding to maintain the SCSEP at its current 54,200 positions. If it would be possible within the constraints of the budget to provide additional jobs, we strongly recommend that this be done.

Title V has been an exceptional program, and it deserves to be continued.

STATEMENT OF DEL BEGAY

MY NAME IS DEL BEGAY. I AM THE TRIBAL INTERPRETER OF THE PUEBLO OF LAGUNA AND APPEAR BEFORE THE COMMITTEE ON BEHALF OF GOVERNOR HARRY L. EARLY AND THE PEOPLE OF LAGUNA AND THOSE OF OTHER INDIAN TRIBES AND ORGANIZATIONS AROUND THE COUNTRY THAT PARTICIPATE IN DEPARTMENT OF LABOR-FUNDED EMPLOYMENT AND TRAINING PROGRAMS.

THESE PROGRAMS HAVE BEEN VITAL TO THE EFFORT TO IMPROVE THE WELL-BEING OF INDIAN PEOPLE. AT THE PUEBLO OF LAGUNA OUR PROGRAM HAS PROVIDED SKILL TRAINING FOR OUR WORKERS TO GIVE THEM AND THE TRIBE THE TALENT WE NEED TO GROW AND DEVELOP. THE EMPLOYMENT COMPONENT OF OUR PROGRAM HAS PROVIDED VALUABLE WORK EXPERIENCE TO TRIBAL MEMBERS AT THE SAME TIME IT HAS STRENGTHENED ALL ASPECTS OF TRIBAL OPERATIONS -- FROM PRESCHOOL SERVICES FOR THE YOUNG, TO HEALTH CARE FOR THE SICK, TO HOMEMAKER SERVICES FOR THE ELDERLY AND DISABLED, TO LAW ENFORCEMENT AND FIRE AND RESCUE SERVICES SERVING ALL THE RESIDENTS OF THE PUEBLO.

AMONG INDIAN WORKERS ON OTHER RESERVATIONS AND IN OFF-RESERVATION AREAS, THE STORY IS SIMILAR. INDIAN CETA PROGRAMS HAVE GIVEN INDIAN PEOPLE SKILLS, HAVE UPGRADED THEIR EDUCATIONAL LEVELS, HELPED THEM FIND JOBS WHEREVER THEY WERE AVAILABLE. INDIAN COMMUNITIES HAVE BENEFITED FROM THE DEVELOPMENT OF TRIBAL ENTERPRISES TO CREATE MORE JOBS AND FROM THE ESSENTIAL COMMUNITY SERVICES WHICH AN EMPLOYED INDIAN WORK FORCE CAN PROVIDE.

OVER THE PAST YEAR, WE HAVE WATCHED HELPLESSLY AS MANY OF THESE GAINS HAVE BEGUN TO SLIP FROM OUR GRASP. THE INDIAN CETA FUNDS THAT HAVE MADE THESE GAINS POSSIBLE HAVE PRACTICALLY VANISHED. AT THE PUEBLO OF LAGUNA, OUR CETA ALLOCATIONS WERE CUT BY 62% FROM JANUARY OF 1981 TO JANUARY 1982. OUR SITUATION IS TYPICAL OF THE OTHER TRIBES IN NEW MEXICO WHO LOST FROM 52% TO 77% OF THEIR CETA FUNDS DURING THIS PERIOD. IN OTHER STATES, THE PATTERN IS VERY SIMILAR.

ONE OF THE CRUELEST IRONIES OF THIS SITUATION IS THAT THE PROPORTION OF THE CETA FUNDING CUTS WE HAVE SUFFERED IS EXCEEDED BY THE PROPORTION OF OUR PEOPLE THAT ARE NOW UNEMPLOYED. AT LAGUNA, FOR INSTANCE, WHILE WE WERE LOSING 62% OF OUR EMPLOYMENT AND TRAINING RESOURCES, OUR UNEMPLOYMENT CLIMBED TO OVER 70% OF OUR TOTAL AVAILABLE LABOR FORCE.

AS BAD AS THE CURRENT SITUATION IS, I UNDERSTAND THAT YOUR COMMITTEE HAS BEEN ASKED TO APPROVE EVEN FURTHER CUTS FOR FISCAL YEAR 1983. THE PRESIDENT'S BUDGET REQUEST CALLED FOR AN OVERALL CUT IN EMPLOYMENT AND TRAINING MONEY OF 37% -- FROM A TOTAL OF APPROXIMATELY $3.8 BILLION AVAILABLE THIS FISCAL YEAR TO ONLY $2.4 BILLION NEXT FISCAL YEAR.

THE PRESIDENT'S BUDGET REQUEST FOR FISCAL YEAR 1983 DID NOT MENTION ANY SPECIFIC FIGURE FOR INDIAN JOB TRAINING PROGRAMS. IT ONLY SUGGESTED THAT INDIAN PROGRAMS WOULD HAVE

TO SHARE A LIMITED SUM OF MONEY ALSO INTENDED TO COVER THE NEEDS OF PROGRAMS FOR OLDER WORKERS, VETERANS, THE HANDICAPPED, DISPLACED WORKERS, FARMWORKERS AND MANY, MANY OTHER GROUPS.

THE NEW JOB TRAINING BILL NOW UNDER CONSIDERATION IN THE SENATE LABOR COMMITTEE AT LEAST PROVIDES A MINIMUM FUNDING FORMULA FOR INDIAN JOB TRAINING PROGRAMS. BUT AT THE LEVEL OF THE PRESIDENT'S REQUEST FOR ALL JOB TRAINING FUNDS FOR FY 83, THE FORMULA IN THIS BILL WOULD ONLY PROVIDE A LITTLE OVER $55 MILLION FOR INDIAN PROGRAMS -- AN AMOUNT THAT WOULD INVOLVE ANOTHER DEVASTATING CUT FOR INDIAN PROGRAMS FROM THE $89 MILLION AVAILABLE THIS FISCAL YEAR.

IF YOUR COMMITTEE WERE TO APPROVE THE PRESIDENT'S BUDGET REQUEST, EVEN WITH THE PROTECTION OF THE FUNDING FORMULA IN THE BILL NOW UNDER CONSIDERATION IN THE SENATE LABOR COMMITTEE, THE PUEBLO OF LAGUNA COULD EXPECT TO SEE ITS DOL JOB TRAINING ALLOCATION CUT BY 47% FROM THE CURRENT FY 82 LEVEL, WHICH, IN TURN, REPRESENTS A 62% CUT FROM OUR FISCAL YEAR 1981 LEVEL. IN OTHER WORDS, DOL SUPPORT FOR JOB TRAINING ON OUR RESERVATION WOULD DROP 80% IN JUST TWO FISCAL YEARS. AMONG OTHER TRIBES IN NEW MEXICO, THE TWO-YEAR CUT WOULD GO AS HIGH AS 90%.

WHAT THIS WOULD MEAN IS CLEAR:

1. ALL EMPLOYMENT SERVICES WOULD DISAPPEAR IN MANY SMALLER INDIAN COMMUNITIES. THERE JUST WOULDN'T BE ENOUGH MONEY TO GO AROUND.
2. INDIAN ECONOMIC DEVELOPMENT PROJECTS, INTENDED TO PROVIDE LONG TERM UNSUBSIDIZED JOBS FOR OUR PEOPLE, WOULD COME TO A HALT. THERE WOULDN'T BE ANY MONEY TO HELP SUPPORT THEIR LABOR START-UP EXPENSES.
3. INDIAN UNEMPLOYMENT WOULD REACH EVEN MORE ASTRONOMICAL LEVELS, RANGING AS HIGH AS 80% AND 90% IN SOME AREAS, AT THE VERY SAME TIME THE VITAL COMMUNITY SERVICES INDIAN EMPLOYMENT PROGRAM PARTICIPANTS ARE PROVIDING CEASE.

4. THE DEPENDENCY OF INDIAN PEOPLE ON PUBLIC ASSISTANCE, WOULD BE CERTAIN TO INCREASE. EVEN THE OFFICE OF MANAGEMENT AND BUDGET HAS PREDICTED AN 11% RISE IN THE BIA'S GENERAL ASSISTANCE CASELOAD DURING FY 83.

THIS KIND OF POLICY WOULD REPRESENT THE ABANDONMENT OF THE ECONOMIC FUTURE OF INDIAN PEOPLE. IT CANNOT BE ALLOWED TO HAPPEN.

WE ASK THE COMMITTEE TO CLOSELY EXAMINE WHAT IS GOING ON IN INDIAN COMMUNITIES AND TO ACT -- ACT IN TWO WAYS. FIRST, TAKE WHATEVER ACTION IS NECESSARY TO INSURE THAT DOL FUNDING FOR INDIAN EMPLOYMENT AND TRAINING PROGRAMS REMAINS AT NO LESS THAN THE FISCAL YEAR 1982 LEVEL. SECOND, TAKE AN EQUALLY SOBERING LOOK AT THE OTHER INDIAN PROGRAMS WITHIN THE COMMITTEE'S JURISDICTION AND INSURE THAT THEY, TOO, ARE NOT ALLOWED TO DISAPPEAR IN THE FALSE NAME OF AN ECONOMIC PROGRAM WHICH SPELLS ECONOMIC DISASTER IN INDIAN COUNTRY.

INDIAN AND NATIVE AMERICAN E&T PROGRAM FUNDING

Program	FY 81 (Jan. Levels)	FY 82 (Jan. Levels)	FY 83 (Budget Request)
	- - -	amounts in millions of dollars	- - -
Title III, Sec. 302	$ 81.0	$ 68.9	Blank
Title IV-A (Year-round youth)	17.5	3.8	0
Summer Youth	14.0	12.0	0
Title VII	6.7	4.6	0
Public Service Employment (Former Titles II-D & VI)	63.5	0	0
Total, All Programs	$182.6	$ 89.3	Blank

Note: The Administration's FY 83 request is based on an Administration bill for a program which would replace CETA. As presently drafted, this Administration bill does not contain any minimum funding formula for Indian programs. The amount that would be available for Indian programs would be whatever amount, if any, that DOL chose to provide from a $200 million fund which is to be shared among many different special target groups.

Compiled by: Indian and Native American CETA Coalition

IMPACT OF DOL EMPLOYMENT & TRAINING PROGRAM FUNDING CUTS ON TRIBES IN NEW MEXICO

Tribe	Jan. 81 Allocation (III, PSE & Youth)	Jan. 82 Allocation (III & Youth)	Prospective FY 83 Allocation, assuming President's Request and S. 2036 Funding Formula	Cut 81 to 82	Potential Cut 81 to 83
Alamo Navajo School Board	$ 399,483	$ 101,107	$ 38,158	74.7%	90.4%
All Indian Pueblo Council	2,333,355	951,259	522,245	59.2%	77.6%
Jicarilla Apache Tribe	326,006	145,011	87,273	55.5%	73.2%
Mescalero Apache Tribe	469,220	223,188	122,698	52.4%	73.9%
Acoma Pueblo	461,345	218,410	132,702	52.7%	71.2%
Laguna Pueblo	847,779	325,132	171,211	61.6%	79.8%
Taos Pueblo	485,147	114,198	55,754	76.5%	88.5%
Zuni Pueblo	1,397,150	544,779	311,352	61.0%	77.7%
Ramah Navajo School Board	460,784	149,713	83,177	67.5%	81.9%
Santo Domingo Tribe	417,356	192,576	122,371	53.9%	70.7%
Navajo Tribe (Entire Reservation)	31,131,558	10,202,386	5,306,642	67.2%	83.0%

IMPACT OF DOL EMPLOYMENT & TRAINING PROGRAM FUNDING CUTS ON TRIBES IN NORTH DAKOTA

Tribe	Jan. 81 Allocation (III, PSE & Youth)	Jan. 82 Allocation (III & Youth)	Prospective FY 83 Allocation, assuming President's Request and S. 2036 Funding Formula	Cut 81 to 82	Potential Cut 81 to 83
Devils Lake Sioux	$ 710,310	$292,960	$177,134	58.8%	75.1%
Standing Rock Sioux	2,401,112	591,302	302,672	75.4%	87.4%
Three Affiliated Tribes (Fort Berthold)	593,562	239,934	122,249	59.6%	79.4%
Turtle Mountain Band of Chippewa	1,563,544	714,477	445,828	54.3%	71.5%

Compiled and FY 83 Estimates Prepared by:
Indian and Native American CETA Coalition

STATEMENT OF RUTH E. KOBELL

I am Ruth E. Kobell, Legislative Assistant, National Farmers Union, 1012 - 14th St., N.W., Washington, D.C.

I appear to urge you to provide $296.5 million in FY 1983 appropriations for Title V of the Older Americans Act, the Senior Community Service Employment Program as authorized by Congress and signed into law by President Reagan December 29, 1981. This sum is judged to be adequate to provide 54,200 employment opportunities for older economically disadvantaged women and men to use their skills, experience and energies in providing needed services that would not otherwise be available to the citizens of their communities.

National Farmers Union is proud to sponsor Green Thumb which has for the last 16 years pioneered the concept that senior citizens have a responsibility and should have an opportunity to continue to use their experience and commitment in service to their fellow citizens and their communities as long as they are physically able and wish to work. I am afraid that we are a long way from providing that opportunity for all who wish to participate. Our economy is now experiencing over nine percent registered unemployed among the working population. This figure does not include those who have exhausted their unemployment compensation and others who work part-time because full-time work is not available. Among this group are those over 65 who would like and need to work and many young people who have had difficulty in breaking into the labor market.

We welcomed President Reagan's strong statement on April 2 opposing discrimination in employment because of age. I would like to quote from his remarks made during the signing ceremony of Older American's Month:

> "This year's proclamation reminds us that older American's possess a reservoir of experience and a depth of knowledge that is a great national resource.
>
> "Today I am taking this opportunity to announce my support for legislation that will make better use of this resource. I will back legislation which eliminates mandatory retirement requirements in government and private industries based solely on age.
>
> "When it comes to retirement the criterion must be fitness for work, not year of birth. Our studies suggest that ending force retirement based solely on age will have minimal consequences on the employment of other groups and will help to erase the unjust perception that persons over 70 are less productive than their fellow citizens.
>
> "We know that many individuals have vulnerable contributions to make well beyond 70 years of age and they should have the opportunity to do so if they desire."

We are anxious to join the President in working to do away with discrminiation in employment on the basis either of age, sex, race or other barriers. However, realistically we realize that discrimination on the basis of age will not be wiped out in practice even though there is legislation passed prohibiting it.

For this and other reasons, it becomes very important in our mind to continue the important demonstration of the value of older workers carried on through the Senior Community Service Employment Program.

The senior worker program has changed and grown since Green Thumb signed the first contract to provide employment for 280 older workers in four states in 1965. From studies carried on by National Farmers Union we were aware that the revolution in the mechanization in agriculture had pushed many farm people from the land. Many of them were caught in pockets of poverty across our nation.

Those displaced farmers had skills that were not readily adapted to factory jobs but were nevertheless important resources. As Green Thumb's name implies, we thought that their experience in nurturing plants might be used to beautify our highways and provide employment and supplemental income for many of these people who themselves have been denied the opportunity to earn full coverage on Social Security. You will remember that farmers were not brought under the Social Security Program until 1955.

And so, Green Thumb workers spread out across the country to plant trees and shrubs and to develop roadside rest areas and picnic areas, to develop hiking trails and new parks out of brush and thicket for the enjoyment and enrichment of their fellow citizens.

Green Thumb organized crews of workers in Arkansas, New Jersey, Oregon and Minnesota. The Arkansas workers had an average age of 70 and an average income of $700 a year but they were all very able and experienced.

From the first, it was exciting to see how the Green Thumb workers performed, how much satisfaction they found in planting trees and shrubs that would be enjoyed by others for years to come, and how quickly they move to other assignments and learn new skills, trained by experts (in many cases by fellow workers), how they marveled at their improved health and how they enjoyed the social side of being with other workers. These were the bonuses of their welcome and much needed work.

Congress has always given strong bipartisan support to this program. By 1968 Green Thumb was able to provide 2,000 jobs in 14 states and the National Council of Senior Citizens, National Council on Aging and National Retired Teachers Association/ American Association of Retired Persons joined us in sponsoring employment programs for older people in cities and towns.

The kinds of projects and services were expanding so that in Crawford County, Pennsylvania, Green Thumb workers were painting the fair grounds, repaired the grandstand, and cattle barns, helped improve the grass and trees and bushes. Women were also asking for jobs. Some of them joined the existing crews and others went on to serve in schools and libraries, health centers, housing programs, and government offices, such as the sheriff or mayor of small towns who had no staff or funds to pay for staff to answer the phone.

In Virginia, Green Thumb provided the staff to refurbish and care for Chippokes, a working plantation in 1730 and now a state park.

In Oklahoma and Oregon, Green Thumb crews restored sites that recalled Indian histories. One of these was a cabin in Sequoyah County built by the Cherokees in 1829.

A crew at the Great Basin Experimental station at the U.S. Forest Service in Utah helped a botanist in his studies of more than a thousand wild plants to find one that was palatable to sheep and cattle. A crew in Gavins Point State Park, South Dakota was trained to recognize symptoms of Dutch elm disease the first step in preventing the spread of a serious threat to the prize elm tree in that state.

Training has been a key element in the program from the very beginning. There was no model for training older workers, many of whom had very little schooling to begin with and had finished with it fifty years or more. The task was to acquaint workers with their new jobs, teach them needed skills and then help them extend their knowledge as senior citizens and consumers. The development of training has been an integral part of the program over the 16 years of development.

There has also been a goal of transitioning workers to private employment since the program began. The test has always been to find employers who would give older workers a chance. There is always the challenge of broadening the understanding of employers and building the self-confidence of workers who themselves have been rejected from the labor market before they came to our Green Thumb program.

One of our first and most productive efforts was in Minnesota when the Minnesota Farmers Union and Green Thumb formed a non-profit organization called Green View to hire older workers to maintain rest areas along the Interstate Freeway. In September 1969, 40 men were employed to maintain seven rest areas. Over the last 13 years this project has provided employment for over 3,000 workers. Green View now has 390 employees providing service in 58 rest stops, 55 Minnesota forest service camp sites, 26 state parks earning wages of $1.5 million annually. The majority of these employees are in their 70's. They work under contracts with the Minnesota State Department of Transportation and the Department of Natural Resources.

Green Thumb has always concentrated on serving rural communities, believing that this is our area of expertise and support, and recognizing that other organizations had stronger liaison in urban communities. The one exception has been our Green Thumb program in Washington, D.C. which we were asked by the Department of Labor to take as a demonstration. It provided employment of older workers on our National Green Thumb staff so that the administrative funds saved could be used to employ older workers in other areas.

The Washington, D.C. Green Thumb staff has carried on an aggressive campaign of finding jobs in private employment for some of their workers. We were happy to report that the Potomac Electric and Power Company has recently hired ten Green Thumb workers to train for full-time permanent employment, thus increasing those workers personal income and opening up ten jobs for the long list of applicants who want a chance to work on Green Thumb.

Green Thumb, and other national sponsors, have developed a highly competent professional staff in the very specialized field of recruiting, training and placement of older, economically disadvantaged workers. Green Thumb has always emphasized that our limited number of employment opportunities should be available to the oldest and the poorest of our applicants. The intent of the law was clear that this program was to serve those "...who have poor employment prospects", "...whose opportunities for other suitable public or private paid employment are poor", "...who has or would have difficulty in securing employment." These references were deleted from the 1981 Older Americans Act Amendments but Green Thumb President Carl Larson has made clear that they will continue to offer these employment opportunities to the oldest and the poorest of the eligible applicants.

As evidence of the success of Green Thumb in reaching those who we judged were most in need of this specially targeted employment program, I have attached to my statement a copy of the Quarterly Progress Report which each Title V program sponsor is required to send every three months to the Department of Labor. I believe it provides through cold statistics a warm and exciting story. The December 31, 1981 report showed that in the first six months of this program year, over 1,200 of the 16,000 Green Thumb workers had moved on to unsubsidized employment. That was half of the 15 percent goal of 2,438 placements included in the present Green Thumb grant agreement. Green Thumb staff is committed to reaching or exceeding that goal by June 30, even in the face of rising unemployment.

I think we sometimes fail to point out that, although the present appropriation provides $277.1 million for 54,200 job opportunities, many more older people are able to participate in the Senior Community Service Employment Program because several thousand workers leave for private employment and several thousand others leave the program for other reasons. It is estimated that Title V serves over 80,000 workers each year because of the revolving nature of the program.

The Report shows that 60 percent of the workers are women, that 48 percent did not go to school beyond the 8th grade and another 21 percent did not finish high school. Although the income eligibility for Title V workers was extended to 125 percent of the poverty guidelines in 1978, 90 percent of our workers have income below the poverty level when they apply for employment. One woman in Kentucky showed no income on her application and said that she had simply been selling off her household and personal possessions to buy food during the year since her husband had died.

Over 1,200 Green Thumb workers are engaged in home repair and weatherization for rural elderly and economically disadvantaged citizens.

A crew of five Green Thumb workers has been doing weatherization in Maine for the past three years.

Four Green Thumb workers assigned to the Weatherization Section of the East Central Kansas Economic Opportunity Center completely weatherized sixty homes during the past year, installed 246 storm windows in these homes, assisted in the construction of two vertical solar units which were installed on low-income elderly homes last September and assisted in the construction of nine solar window units which were also installed last fall.

Green Thumb workers across Louisiana have been trained to build and install solar hot-water heaters. During the training session workers actually built a collector and installed it in the home of a low-income family.

About a thousand Green Thumb workers are pioneering projects in energy conservation, food production, stewardship and conservation of land and other natural resources.

A Green Thumb worker began as a consultant on the Tri-CAP Alternative Solar Energy Project in Minnesota. He designed and constructed machinery which fabricates components for an aluminum frame solar panel. The panels are made assembly-line fashion with the use of this machinery and the labor of two Green Thumb crews and then installed in the homes of low-income families across the state.

A Green Thumb worker is assigned to take charge of a solar greenhouse that is used to grow vegetables during the fall, winter and spring. The greenhouse is also used as a food dryer with a capacity to dry 60 pounds per day of locally gleaned foods.

A Green Thumb worker plants and maintains a community garden for the poor and elderly using cold frames in Cobleskill, New York, he also assists with distributing the food and helps senior citizens in the community with their own home gardens.

These projects not only conserve energy and help stretch the incomes of the recipients, but also help the Green Thumb workers learn new job skills. A continuing effort is made to secure jobs for the workers within the private sector.

Finding employment in the private sector, after one has reached the age of 55, is never easy. The problem becomes even greater when one lives in a rural community where there is seldom an industry of appreciable size. More than that, if in addition to be elderly and rural, the job-seeker is a woman, the difficulty is magnified.

Green Thumb workers reflect the national picture of an older population where women out-number men in significant numbers. Currently Green Thumb employs 10,069 women and 6,778 men. This means that many women share in the placement efforts that are made. It is usually true that it is the experience and self-confidence that a Green Thumb job has generated that opens the way to private sector employment.

Such employment often grows from the workers having proven themselves to the agency in which they work as a Green Thumb employee. When a vacancy occurs in the paid staff, the Green Thumber moves into the position. In Passiac, New Jersey a Green Thumb worker was placed with the YMCA as a clerical worker. In the short time of four months she had so improved her typing skills that the Agency hired her to serve as Secretary to the Director, handling much more responsibility than before.

Christina Craddock of Marion, Illinois had been a Green Thumb worker with Children and Family Services where, in addition to general office work she learned how to operate a computer terminal. When the position of Data Input Operator II became vacant, she was hired to work full-time in that position.

Bertha Smith had been working with Green Thumb in Goldwaith, Texas for only five months when she learned of an opening at the Heritage Nursing Home where someone was needed to help feed and care for some of its elderly residents. "I enjoyed working for Green Thumb", she said, "and I learned an awful lot, but I felt I could give more at the nuring home. They needed me more. I'm 71, and I can't do any heavy lifting, but so many are bed-ridden and I can feed them and attend to most of their needs".

The story of Marian Barlow in Utah is a fine example of the problems that bring people to Green Thumb and now the opportunity to work and rebuild their confidence can pull a person from the edge of disaster to a new career as worker and taxpayer. I am attaching to this statement the letter she wrote the Utah Green Thumb state director last fall.

Green Thumb has developed their own statement of Mission and Goals which guide their administration of the Title V program and their stewardship of Federal funds. They are as follows:

GREEN THUMB MISSION

> The mission of Green Thumb recognizes an important fundamental philosophy for all older Americans--that is, the right and the need to work. Green Thumb, Inc., is established to:
>
> ### CHANGE STEREOTYPES OF OLDER AMERICANS
>
> Demonstrate to the nation, primarily through the older workers' programs, that older Americans can and should work, decreasing dependence on public assistance and improving human group associations.
>
> ### PROMOTE EMPLOYMENT
>
> Provide community service employment to rural low-income older workers; show how Green Thumb can be productive in community enterprises and thus, encourage maximum placements in unsubsidized jobs.
>
> ### PROVIDE ESSENTIAL COMMUNITY SERVICES AND FACILITIES
>
> Provide better community services and facilities, through Green Thumb work projects, so that Green Thumb activities reflect and support community needs, including our national priorities of energy, food production, and stewardship of the land.
>
> Green Thumb will promote the interest of rural older workers by providing leadership for this group in the broad field of aging. We join with all others in seeking the resolution of serious problems facing older Americans.

I wanted to report to you some of the background and more recent accomplishments of Green Thumb to reinforce our belief that committing resources to this program is a good investment. Congress has demonstrated their confidence and support of the senior worker program by expanding it rapidly and consistently over the past sixteen years, in good times and bad because it is recognized there is an expanding need for the services these workers provide.

We were disappointed to learn that President Reagan's FY 1983 Budget did not provide funds for Title V beyond October 1, 1982. Many members of Congress have informed the President of their support for the Senior Community Service Employment Program and urged him to amend the Budget to include a funding request for Title V to at least maintain the present 54,200 employment opportunities.

I was encouraged to hear Secretary of Labor Raymond Donovan testify to you, Mr. Chairman, on April 20 in reply to questions from you and Senator Burdick that "I have not given up the fight to get funding for this program within the bounds of the President's Budget. I am an optimist. I feel I have a fair chance of winning this at or near last year's level. I still have hopes that I will succeed." We appreciate his continuing support.

But we also recognize that Congress has the ultimate responsibility for appropriating funds for the programs they authorize. We remember that this Subcommittee has a long record of support for older worker programs and we urge you to provide the appropriations that can continue the opportunity for older workers who are themselves in need of an opportunity to supplement their limited incomes to contribute to the well being of their communities and their fellow citizens.

As you know, Mr. Chairman, when the FY 1982 Labor-HHS appropriations bill was reported out of the Senate Appropriations Committee, only three months of funding ($69 million) was provided for the period of July 1 through September 30, 1982. We were led to believe that his was not meant to cut back the Title V program but rather to address the immediate budget pressure. In the development of the FY 1982 Continuing Resolution, this amount was cut by about four percent so the appropriation now stands at $66 million. This is the first time in the history of the program that support for it has been cut back.

Subsequent to the bill being reported out of the Committee, the 1981 amendments to the Older Americans Act were passed by both houses of Congress on December 11, 1981 and signed into law by President Reagan on December 29, 1981. The authorization language in the amendments for Title V specifically called for the retention of forward funding and in fact mandates the Secretary of Labor to fund the program on a July 1 to June 30 basis.

Due to a combination of factors including the Senate appropriations bill, the authorization bill and the continuing resolution language, the net effect is that the Senior Community Service Employment Program on July 1, 1982, only two months from now, will have funding for 3 months that must be used for a 12 month period. This results in a 75 percent reduction in the program on July 1, 1982. This clearly was not the intent of either the Senate or the House or the Administration but has resulted from a combination of circumstances.

We fervently hope that before that cutback must be executed, Congress will find it possible to appropriate the additional $210 million that is needed to continue the 54,200 job opportunities for the balance of the program year. We also urge that the FY 1983 budget and appropriations provide at least the $296.5 million to continue this productive and cost effective employment program for older workers.

Thank you for the opportunity to appear before you.

U.S. DEPARTMENT OF LABOR • Employment & Training Administration

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM — QUARTERLY PROGRESS REPORT

PROJECT SPONSOR Green Thumb, Inc.	REPORT PERIOD ENDING (Month & Year) December 31, 1981	PROGRAM NO. 41
CITY AND STATE Arlington, Virginia (Summary)	TYPE OF REPORT (Check One) ☒ Interim ☐ Final	

AGREEMENT NUMBER 99-1-093-11-26	SUBPROJECT NO. 00	PROJECT PERIOD From July 1, 1981	To June 30, 1982
NO. ENROLLMENT POSITIONS ESTABLISHED	16253	UNSUBSIDIZED PLACEMENT GOAL	2438

A. ENROLLMENT LEVELS (Number of Enrollees)

1. Carried over from previous project	16807	3. Placed in unsubsidized employment this project	3a 1122	158 3b 160 1/	5. Current enrollment (End of Period)	16707
2. Started under this project	2509	4. Other terminations this project	1487		6. Enrollment vacancies (End of Period)	64

B. JOB INVENTORY

SERVICES TO GENERAL COMMUNITY	NO. JOBS	SERVICES TO ELDERLY COMMUNITY	NO. JOBS
1. Education	2934	11. Project Administration	368
2. Health and Hospitals	674	12. Health and Home Care	507
3. Housing/Home Rehabilitation	443	13. Housing/Home Rehabilitation	803
4. Employment Assistance	249	14. Employment Assistance	94
5. Recreation, Parks, and Forests	1300	15. Recreation/Senior Centers	1126
6. Environmental Quality	660	16. Nutrition Programs	2262
7. Public Works and Transportation	1612	17. Transportation	378
8. Social Services	1152	18. Outreach/Referral	1015
9. Other Energy, Food Production Stewardship, Soil Conserv.	983	19. Other	147
10. TOTAL (1 - 9)	10007	20. TOTAL (11 - 19)	6700

C. ENROLLEE CHARACTERISTICS

	CHARACTERISTICS	STARTS (Cum.)	CUR. ENROLL.		CHARACTERISTICS	STARTS (Cum.)	CUR. ENROLL.
SEX	Male	1174	6757	RACE/ETHNIC GROUP	White (not Hispanic)	2025	13158
	Female	1335	9950		Black (not Hispanic)	254	2420
EDUCATION	8th & Under	972	7821		Hispanic	157	628
	9th - 11th	492	3503		American Indian/ or Alaskan Native	65	443
	High School Grad or Equivalent	757	4038		Asian or Pacific Islander	8	58
	1 - 3 years College	210	1056	AGE	55 - 59	839	2229
	4 yrs. College or more	78	289		60 - 64	788 -	4306
	Family Income at/below Poverty Level	1882	14619		65 - 69	491	4647
	Veteran	491	1798		70 - 74	280	3424
D. AVERAGE HOURLY WAGE/CURRENT ENROLLMENT			$3.39		75 and Over	111	2101

E. NARRATIVE REPORT (Attachment)	SIGNATURE	DATE

(Formerly MA 5-140) ETA 5140 (Rev. May 1978)

1/ Persons placed in supplemental jobs but not terminated from the program.

November 10, 1981

Ms. Yvonne Wheadon, Director
Utah Green Thumb
78 West 2400 South
Salt Lake City, Utah 84115

Dear Ms. Wheadon:

I wish to express my sincere appreciation to the Green Thumb Program and to the people in charge of Utah Green Thumb.This Program enabled me to get back into the working world.

It came into my life when I had just gone through an extremely bad year. At the age of 59, after working many years at above average jobs, I was injured on the job - complicated by flu preventing surgery for three months, causing no income for this period of time. After surgery I went on industrial compensation for three months, unemployment insurance for two months, at which time I developed allergenic pneumonia. At this point in time I had to go on welfare - and due to false pride I suffered immensely.

When all this began, due to family problems, I was hopelessly in debt. This worry coupled with the physical problems caused a severe emotional disturbance. I was sure I would never be able to work again, would never be able to be debt free, and began seriously comtemplating suicide. My family persuaded me to have counseling which I did and it helped a great deal.

I regained enough confidence to begin trying to find a job. Through a conversation with a friend, I contacted the head of the South County Community Council, a division of the Community Action Program, who told me she could use me on the Green Thumb Program. I had never heard of the program and really wondered what I was getting in to. However, I was at a point where I was ready to try anything.

She placed me in the South County Agency as a Green Thumb trainee. I soon began regaining confidence and found my skills which I thought were gone forever, returning.

I am now on the regular Community Action Program payroll as a regular full time employee as a Referral Specialist and am gaining new skills and knowledge.

I feel the Green Thumb Program saved my sanity and more than that - my life.

May I again express my appreciation to Utah Green Thumb, Yvonne Wheadon, Mralene Robinson, Warren, Cathy and all the people who have been so instrumental in helping me find my way back.

Sincerely,
Marian R. Barlow
Marian R. Barlow

STATEMENT OF JAMES M. HACKING

National Institute on Aging

1. NIA should have a sufficient appropriation to permit 30% of the investigator-initiated research applications to be funded.

2. The Academic Investigator Award and Special Initiative Award should be funded in FY 1983.

3. NIA should receive at least $2 million to expand its cost containment/long-term care initiatives, especially research efforts in the dementias of aging and Alzheimer's disease.

4. NIA should have sufficient funding to develop the teaching nursing home concept.

Health Planning

1. The FY 1983 appropriation for the Health Services Administration should be at least at $95 million.

Health Maintenance Organizations

1. The loan and grant program should be fully funded in FY 1983.

Professional Standards Review Organizations

1. PSROs should be funded either at the FY 1980 or continuing resolution level.

Title XX Social Services

1. Title XX services should be funded at $2.4 billion, the same amount as appropriated in FY 1982.

The National Retired Teachers Association and the American Association of Retired Persons are submitting this written statement to supplement oral testimony delivered on May 3.

The written statement will focus primarily on health-related issues and Title XX social services under the Social Security Act.

A. National Institute on Aging

The aging of the American population portends dramatic changes in a very short time. Today, approximately 11 percent of our population is 65 years or older, almost 26 million people. By the year 2000, only eighteen years from now, over 12 percent of the population, 31.8 million, will be age 65 and older. By the year 2030, the number of older Americans will more than double to 55 million people, equaling 18.3 percent of the entire population.

Recent studies by the National Academy of Sciences, Institute of Medicine and the Rand Corporation point out that most physicians in the United States are not adequately trained to care for the elderly. A study by the Rand Corporation and the Kaiser Family Foundation projected that 7,000 to 10,300 geriatricians would be needed by 1990 to serve the elderly adequately. Yet, a 1977 survey by the American Medical Association showed that only 629 physicians cited care of the elderly as a major speciality. It is essential, therefore, that student health professionals have firsthand experience in dealing with the chronic and acute care problems of caring for the elderly if our health care system is to respond to future demands.

In 1974, Congress established the National Institute on Aging (NIA) to provide a comprehensive, systematic and intensive study of the biomedical, social and behavorial aspects of aging and the related training of personnel. From the beginning, NIA has encouraged health care professionals to incorporate geriatric medicine into their curricula and practical training programs.

The heart of NIA's research efforts is competing grant applications for investigator-initiated research. The Administration's budget proposals threaten this program by reducing the number of grants that can be funded from 162 in FY 1982 to 115 in FY 1983. This represents only a 15-percent approval rate for the investigator-initiated research grant applications projected for FY 1983 and threatens the ability of NIA to maintain a cadre of superior researchers who are knowledgeable about aging problems. The Associations support appropriations for this program which would permit 30 percent of the investigator-initiated research applications to be funded in FY 1983.

Moreover, the Associations support increased funding for NIA's special initiatives in aging research, such as: the

Geriatric Medicine and Dentistry Academic Awards, Academic Investigator Awards and Special Initiative Awards for Aging Research. Under the Administration's budget, funds are only available to maintain the Geriatric Medicine and Dentistry Awards at the FY 1982 level. No appropriation is requested for the Academic Investigator Awards or the Special Initiative Awards in FY 1983. Sufficient funds must be made available to make these initiatives a viable component of NIA research programs.

The Associations are particularly concerned that NIA receive at least $ 2 million to expand its cost containment/ long-term care initiatives, especially research efforts in the dementias of aging and Alzheimer's disease. This research is particularly significant because of its potential to reduce health care costs. Chronic dementias presently account for 50 to 60 percent of nursing home admissions at an estimated cost of over $9 billion per year. Since this nation's nursing home bill is projected to be $45 billion by 1985, progress in the treatment of these conditions can have a dramatic effect on nursing home costs.

The Associations strongly urge the Senate to support NIA's efforts to develop teaching nursing homes. Though the human and economic impact of nursing home care is enormous, nursing home services have not received the professional academic study that leads to the clinical breakthroughs in nursing home practices. The modest amount of money necessary to develop the teaching nursing home concept is an investment in our future.

B. Health Planning

The Associations are concerned about the phasing out of health planning, supposedly in concert with the Administration's timetable for the development of a comprehensive package of health care financing reforms aimed at encouraging competition in the health sector. The Associations believe that it is unrealistic to expect that comprehensive reforms aimed at constraining health care costs can be implemented and become effective, while the Federal Government dismantles the only national cost containment program in place -- one with a proven track record of broad-based community involvement and success in containing health care costs.

The Administration calls for a complete phaseout of state and local health planning programs in FY 1983. We recommend a funding level for Health Services Administration of at least $95 million in FY 1983.

The cost for health planning -- less than one dollar per year per capita in an industry costing more than $1,000 per year per capita and the elderly more than $2,500 per year -- is relatively small. If health planning is eliminated, it is estimated that there would be a 50 percent increase in capital construction over the next four years, or $10 billion more than under the current system.

The Associations believe that the health industry's voluntary effort to contain health care costs is a failure. We are disturbed at what seems to be a growing tendency on the part of the Federal Government to eliminate or de-emphasize its own capacities as a prudent buyer in the name of market forces and to back off from its responsibility to constrain our rapidly rising national health bill (and the Federal share of it).

C. HMOs

The Administration proposes completely phasing out Federal support ($54 million in FY 1981) for the development of Health Maintenance Organizations (HMOs) by the end of 1983. The Associations believe this proposal is inconsistent with the Administration's stated intent to encourage the development of alternative health care delivery systems. We contend that a modest level of support is needed to expand access to the HMO alternative in those areas of the country where private capital has not been invested in HMO development, especially where there is significant potential for growth, and health care costs are rising rapidly.

The Associations recommend full funding for the loan and grant programs in FY 1983. This is more than justified by the high cost of our current health care financing and delivery system and the financial track record of mature HMOs.

While the Associations urge that Federal financial assistance be maintained at current levels, we believe that the current loan program should be more carefully targeted. The focus should be on areas with high growth potential as well as on HMOs serving special or otherwise unserved population groups.

D. PSROs

The Associations also strongly support continued funding (at the FY 1980 or Continuing Resolution level) of Professional Standards Review Organizations (PSROs). Despite assurances from the Administration that a pro-competition reform of the health care financing and delivery system will be proposed, a strong and effective utilization review program for Medicare and Medicaid is needed now more than ever. If a massive restructuring of the health care system, in fact, is approved -- as the Administration recommends -- it will be a lengthy process. In the interim, there will still be a need for utilization review to help contain rapidly escalating health care costs, especially of hospital costs.

E. Title XX Social·Services

The Associations also support funding for Title XX social services at the present level. Title XX has already been cut back sharply, from $2.9 billion in 1981 to $2.4 billion in 1982. Another $0.5 billion cut -- as recommended by the Administration -- would cripple the program.

The proposed cutbacks may be costlier in the long run because Title XX services enable many older persons to continue to live in their own homes, instead of being unnecessarily or prematurely institutionalized at a much higher public cost.

STATEMENT OF JON WEINTRAUB

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, MY NAME IS JON WEINTRAUB. I AM AN ASSOCIATE DIRECTOR WITH THE NATIONAL ASSOCIATION OF COUNTIES (NACO).

LET ME BEGIN BY EXPRESSING TO THE SUBCOMMITTEE OUR TOTAL UNDERSTANDING OF THE IMPORTANCE THESE HEARINGS HAVE IN OUR ORGANIZATION'S ABILITY TO REFLECT OUR CONCERN OVER THE FEDERAL BUDGET FOR FISCAL 1982 AND 1983.

WE ARE HERE TODAY ON BEHALF OF THE COUNTIES THAT COMPRISE THE MEMBERSHIP OF THE NATIONAL ASSOCIATION OF COUNTIES (NACO). THE MEMBER COUNTIES OF NACO REPRESENT 90% OF OUR NATION'S POPULATION AND RANGE FROM SMALL RURAL COUNTIES WITH POPULATIONS OF LESS THAN 5,000 TO DENSELY POPULATED URBAN COUNTIES WITH POPULATIONS OVER 1 MILLION. THESE COUNTIES PROVIDE THEIR CITIZENS WITH A RANGE OF SERVICES FROM INCOME MAINTENANCE TO EMPLOYMENT AND TRAINING, TO HEALTH CARE.

THE MEMBERSHIP OF NACO HAS BEEN CONCERNED FOR SOME TIME ABOUT THE SIZE OF THE FEDERAL BUDGET AND THREE YEARS AGO FORMALLY ADOPTED A RESOLUTION URGING FEDERAL, STATE AND LOCAL GOVERNMENTS TO FORM A PARTNERSHIP AND IMMEDIATELY BEGIN A SINCERE EFFORT LEADING ULTIMATELY TO A BALANCED FEDERAL BUDGET. TO THIS END, THE NATIONAL ASSOCIATION OF COUNTIES SUPPORTED THE FIRST ROUND OF BUDGET CUTS RECOMMENDED BY THE ADMINISTRATION LAST MARCH FOR FISCAL 1982 BUT OPPOSED ANY ADDITIONAL CUTS UNTIL THE IMPACT OF THE FIRST ROUND COULD BE FULLY ASSESSED. NACO CONTINUES TO ENDORSE THE GOAL OF A BALANCED BUDGET. HOWEVER, WE DO NOT FEEL THAT THAT SHOULD BE ACHIEVED AT THE EXPENSE OF FURTHER REDUCING FUNDING FOR DOMESTIC PROGRAMS IN FISCAL 1983. LAST YEAR, COUNTIES SUSTAINED OVER A 15% REDUCTION IN FEDERAL FUNDING. THE EFFORTS THAT COUNTY GOVERNMENTS MADE TO MAINTAIN SERVICE LEVELS DESPITE FUNDING CUT BACKS WERE TREMENDOUS. WHILE THE FULL IMPACT OF LAST YEAR'S CUTS HAVE NOT BEEN TOTALLY REALIZED, THERE IS NOW A PERVASIVE FEELING AMONG COUNTY GOVERNMENTS THAT ALL OF THE "FAT" HAS BEEN ELIMINATED. LAST YEAR'S CUTS FORCED MANY COUNTIES TO REDUCE EMPLOYMENT, CUT BACK ON SERVICE HOURS AND SERVICES SUCH AS DAY-CARE ASSISTANCE AND POSTPONE BADLY NEEDED INVESTMENT IN INFRASTRUCTURE REPAIRS. MANY COUNTIES HAVE HAD TO RAISE PROPERTY OR SALES TAXES, A POLICY VIEWED UNFAVORABLY BY CITIZENS WHO RECEIVE, IN RETURN, A CUTBACK RATHER THAN AN INCREASE IN SERVICES. COUNTIES ARE CING ADDITIONAL BURDENS AS THEY STRIVE TO SUPPORT THE NEEDY WHO ARE NOW INELIGIBLE FOR FEDERAL AFDC AND FOOD STAMPS. MANY COUNTIES FORESEE DIFFICULTY IN MAINTAINING THE FISCAL VIABILITY OF COUNTY HOSPITALS WHICH PROVIDE SERVICES TO MANY POOR PEOPLE WHO ARE INELIGIBLE FOR MEDICARE AND MEDICAID. FURTHER REDUCTIONS IN REVENUES WOULD SERIOUSLY AND NEGATIVELY IMPACT' ON THE ABILITY OF COUNTIES TO PROVIDE BASIC AND VITAL SERVICES TO CITIZENS.

OVER 1400 COUNTY OFFICIALS FROM ACROSS THE NATION CAME TO WASHINGTON FOR NACO'S ANNUAL LEGISLATIVE CONFERENCE. THE RECORD-BREAKING ATTENDANCE AT THIS CONFERENCE REFLECTED THE DEPTH OF INTEREST AND CONCERN EXPRESSED BY COUNTY OFFICIALS OVER THE PRESIDENT'S PROPOSED FISCAL 1983 BUDGET (AND FEDERALISM INITIATIVES). WHILE BROAD SUPPORT WAS GIVEN TO THE OVERALL GOALS OF INCREASING LOCAL AND STATE GOVERNMENTS' RESPONSIBILITY AND AUTHORITY FOR DOMESTIC PROGRAMS, THIS SUPPORT WAS DAMPENED BY THE CONCERN THAT LOCAL GOVERNMENTS MAY NOT HAVE ADEQUATE FUNDING RESOURCES TO MEET THESE RESPONSIBILITIES. NACO IS AWARE, ALSO, THAT THE FUNDING LEVELS APPROVED

FOR FISCAL 1983 WILL AFFECT THE TOTAL DOLLARS IN THE TRUST FUND PROPOSED UNDER THE PRESIDENT'S "NEW FEDERALISM"

AFTER CONSIDERATION OF THE IMPACT OF LAST YEAR'S BUDGET CUTS AND THE POTENTIAL IMPACT OF ADDITIONAL CUTS, THE BOARD OF DIRECTORS OF NACO ADOPTED A RESOLUTION CALLING FOR A MORATORIUM ON FEDERAL BUDGET REDUCTIONS IN DOMESTIC PROGRAMS FOR FISCAL YEAR 1983 AFFECTING LOCAL AND STATE GOVERNMENT. THIS RESOLUTION WILL SERVE AS THE OFFICIAL POLICY OF NACO ON THE FISCAL 1983 BUDGET. THE BOARD FURTHER RESOLVED THAT THE DEVOLUTION OF RESPONSIBILITY FOR PROGRAMS TO LOCAL AND STATE GOVERNMENTS MUST BE JOINTLY DETERMINED AND PACED TO ENSURE A STABLE AND ACCEPTABLE REALIGNMENT OF OUR FEDERAL SYSTEM. SUCH A REALIGNMENT MUST PRESERVE AND SHOULD ENHANCE NATIONAL EQUITY IN INCOME MAINTENANCE PROGRAMS. THE BOARD OF DIRECTORS REAFFIRMED NACO'S POSITION THAT INCOME SECURITY PROGRAMS SHOULD BE THE RESPONSIBILITY OF THE FEDERAL GOVERNMENT.

EMPLOYMENT

WE CONTINUE TO SUPPORT THE NEED FOR FEDERAL FUNDING FOR THE NATIONAL EMPLOYMENT AND TRAINING SYSTEM. WE FEEL THAT THE BILL (H.R.5320) SPONSORED BY CHAIRMAN GUS HAWKINS AND OVER 80 CO-SPONSORS MEETS THIS GOAL. WE FULLY SUPPORT THE AUTHORIZATION LEVELS IN THIS BILL AND URGE YOUR SUBCOMMITTEE TO MEET THAT LEVEL IN YOUR APPROPRIATION FOR FISCAL YEAR 1983 INCLUDING THE PROGRAM DESIGNED TO MEET THE NEEDS OF THE DISPLACED WORKER.

WE ARE CONCERNED WITH THE LEVEL OF FUNDS ALLOCATED TO CETA PRIME SPONSORS IN FISCAL YEAR 1982. PRIME SPONSORS WERE CUT 20% IN NEW OBLIGATIONAL AUTHORITY AND 15% IN AVAILABILITY FOR THE SUMMER JOBS PROGRAM. AT THE SAME TIME THE DEPARTMENT OF LABOR FAILED TO MEET THE 90% HOLD-HARMLESS FOR TITLE II-B ALLOCATIONS (THEY ACHIEVED 83%) AND THE HOLD-HARMLESS FOR THE SUMMER YOUTH PROGRAM AS REQUIRED IN P.L.95-524 (TO EXTENT FUNDS ARE AVAILABLE), THE ADMINISTRATION REQUESTED A DEFERRAL OF $88.543 MILLION WHICH INCLUDED $10.364 MILLION OF SUMMER YOUTH PROGRAM (SYEP) FUNDS. WHILE DEFERRING SYEP FUNDS INSTEAD OF USING THEM FOR THEIR STATED PURPOSE OR REQUESTING A REPROGRAMMING OF FUNDS FOR THE SYEP OR TITLE II-B HOLD-HARMLESS, THE ADMINISTRATION DID ASK TO REPROGRAM FUNDS FOR DOL SALARIES. THE FIRST SUCH TRANSFER WAS ACHIEVED IN THE URGENT SUPPLEMENTAL (H.R.5922) THAT THE HOUSE JUST PASSED. WITH THE UNEMPLOYMENT RATE EXPECTED TO REACH OVER 9% BEFORE THIS SUMMER, WE URGE THIS SUBCOMMITTEE TO REVISIT THIS ISSUE AND TO PROVIDE, AT LEAST, THE HOLD-HARMLESS LEVEL FOR THE SUMMER PROGRAM IN YOUR NEXT SUPPLEMENTAL.

IN OCTOBER 1981, THE DEPARTMENT'S ALLOCATIONS TO PRIME SPONSORS UNDER THE FIRST CONTINUING RESOLUTION GAVE THEM A MINIMUM FUNDING LEVEL OF $200,000 FOR TITLE IV-A YOUTH PROGRAMS. THE MINIMUM WAS UNCHANGED AFTER THE SECOND CONTINUING RESOLUTION. WHEN THE THIRD CONTINUING RESOLUTION PASSED, IT CALLED FOR AN ADDITIONAL FOUR PERCENT REDUCTION. HOWEVER, WHEN THE ALLOCATIONS TO PRIME SPONSORS WERE REVISED, A NEW MINIMUM FUNDING LEVEL OF $150,000 WAS ESTABLISHED. A TOTAL OF 267 CETA PRIME SPONSORS WERE AFFECTED. ONE HUNDRED AND NINETY-NINE RECEIVED A CUT OF TWENTY-FIVE PERCENT OR $50,000, WHILE 68 RECEIVED A CUT OF LESS THAN $50,000. IN THE 14 STATES REPRESENTED ON YOUR SUBCOMMITTEE INCLUDING CHAIRMAN HATFIELD'S, FIFTY-THREE PRIME SPONSORS WE REAFFECTED AS FOLLOWS:

State

Oregon - 4
Connecticut - 4
Arkansas - 2
Pennsylvania - 16
New Hampshire - 1

State

Wisconsin - 6
Missouri - 5
Florida - 13
Hawaii - 1
South Dakota - 1

We urge you to use the upcoming supplemental to restore the minimum level of $200,000 for FY 1982 CETA Title IV-A youth programs that the Department of Labor recently cut to $150,000. No more than $13.5 million from the Department's $88 million FY 1982 CETA deferral would be required. However, you would need to direct the Department to spend the funds for this discretionary purpose and not to allocate these funds by formula.

We understand that you have received a letter from Chairmen Perkins, Hawkins, and Representative Jeffords endorsing this approach.

MINE SAFETY AND HEALTH ACT (MSHA)

NACo urges the explicit exemption of state and local government sand, gravel and stone pit operations from federal MSHA authority. These operations, primarily county, are small, safe, seasonal and used almost exclusively for basic road maintenance purposes. The March 31 continuing resolution accomplishes our objective through language introduced by Senator John Melcher and passed without objection by the full Senate last December. We urge continuation of that provision in any future appropriation measures. We will continue to seek permanent relief through proposed legislation introduced by Senator Melcher (S.496).

WELFARE AND SOCIAL SERVICES

Last year NACo supported a number of changes that established block grants and reduced the cost of welfare and social services programs. Many of these changes are still in the process of implementation, and their effects are being felt at the local level. While we continue to support block grants and transfer to the states of many categorical programs under the President's proposed turnback, we must insist on a moratorium on further reductions in the federal programs that affect counties, until we can determine what the impact of the cuts will be on our constituents.

County officials are faced with the dual responsibility of having to continue to care for the needy and provide critical social services, while at the same time having to increase real property taxes to pay for them, unless the federal government paces its approach to budget cutting. We are not finding that counties are able to make up the lost federal funds. Although many services are being preserved by juggling funds and programs, in many cases the services are just disappearing.

In general, then, we support appropriations at the 1982 levels for most of these programs, which of course represents a cut in 1983 operational funding because of inflation.

We will continue to support the consolidation of narrow categorical programs into block grants that insure the participation of county elected officials in the funding and allocations decision process, provided that the federal funding level of the block grants is not substantially reduced. Specifically, we oppose further reductions in the Social Services Block Grant, the Community Services Block Grant, and the Low Income Energy Assistance Block Grant. For the Social Services Block Grant (Title XX), NACo supports provisions of H.R.5791, introduced by Mr. Ford of Tennessee, which would set 1983 spending at $2.6 billion, and increase to $3.0 billion by 1985, which is still less than the 1983 level would have been prior to the Reconciliation Act last year.

The proposed child welfare block grant is acceptable, at 1982 funding levels for the programs contained within it, and provided that funds are appropriated separately for foster care maintenance payments, as provided in the entitlement language established last year.

For Older Americans, one of the most vulnerable groups affected by reduced federal appropriations, we support maintaining 1982 program activity levels. A major interest for low-income older Americans is to preserve the level of 54,000 part-time jobs funded under Title V which provide

ADDED INCOME TO MAINTAIN A BASIC STANDARD OF WELL BEING FOR THESE SENIOR CITIZENS AND ALSO CONTRIBUTE TO THE GOOD OF THE COMMUNITY IN MOST CASES. THESE JOBS WERE PROJECTED TO COST $296 MILLION FOR 1983.

WITH RESPECT TO THE WIN PROGRAM, NACO RECOMMENDS APPROPRIATING THE 1982 LEVEL OF $346 MILLION IN ORDER TO PRESERVE SOME CAPACITY FOR STATES AND COUNTIES TO CARRY OUT THE RECENTLY ENACTED WORKFARE PROVISIONS, AND WE BELIEVE IT IS VITAL TO IMPLEMENT THEM. ELIMINATING THE WIN .UNDS REMOVES THE ONLY SOURCE OF FISCAL INCENTIVES AVAILABLE TO STATES AND COUNTIES FOR THEIR IMPLEMENTATION.

FOR REFUGEE ASSISTANCE, NACO FIRMLY BELIEVES THAT THE FEDERAL GOVERNMENT, WHICH ADMITS REFUGEES INTO THE COUNTRY, SHOULD BEAR FINANCIAL RESPONSIBILITY FOR THE COSTS OF ASSISTING THEM. WE ARE CONCERNED THAT BOTH THE PRESIDENT'S FY 1982 AND FY 1983 BUDGET REQUESTS FOR REFUGEE AND CUBAN/HAITIAN ENTRANT ASSISTANCE WILL NOT BE SUFFICIENT TO REIMBURSE STATES AND COUNTIES FOR THEIR COSTS. NACO OBJECTS TO THE ADMINISTRATION'S DECISION TO REPROGRAM $32 'LLION IN REFUGEE SOCIAL SERVICE AND EDUCATIONAL ASSISTANCE FUNDS TO REIMBURSE STATE AND COUNTY CASH AND MEDICAL ASSISTANCE COSTS. INSTEAD OF FINANCING CASH AND MEDICAL ASSISTANCE AT THE EXPENSE OF MUCH NEEDED EDUCATION AND SOCIAL SERVICES, WE SUPPORT AN FY 1982 SUPPLEMENTAL APPROPRIATION TO COVER REFUGEE AND ENTRANT CASH AND MEDICAL ASSISTANCE COSTS.

HEALTH CARE

NACO IS OPPOSED TO BUDGET PROPOSALS THAT WOULD RESULT IN THE CURTAILMENT OR OUTRIGHT ELIMINATION OF SERVICES TO AMERICANS WHO ARE MOST DESPERATELY IN NEED OF HEALTH CARE: THE POOR, ELDERLY, AND DISABLED, AND POOR YOUNG CHILDREN WHOSE FUTURE HEALTH IS DEPENDENT UPON THE CARE THEY RECEIVE TODAY. THEREFORE, WE ARE ASKING FOR CONTINUED FUNDING AT FY 1982 LEVELS FOR ALL PROGRAMS TO BE INCLUDED IN THE HEALTH BLOCK GRANTS AND NO FURTHER CUTS IN THE MEDICAID PROGRAMS. WE ARE ALSO REQUESTING THAT HEALTH PLANNING BE FUNDED AT THE ADMINISTRATION'S PROPOSED FY 1981 LEVELS OF $115.7 MILLION FOR STATE AND LOCAL PLANNING ACTIVITIES.

AS YOU KNOW, COUNTY HEALTH CARE FACILITIES AND RESOURCES ARE AN ESSENTIAL LINK IN OUR .TION'S EFFORT TO ASSURE ACCESS TO QUALITY HEALTH CARE FOR ALL AMERICANS. SOME 800 COUNTY HOSPITALS, 800 COUNTY NURSING HOMES, SOME 1000 COUNTY HEALTH DEPARTMENTS AND HOME HEALTH AGENCIES, PRIMARY CARE AND MENTAL HEALTH CENTERS AND OTHER COMMUNITY SERVICES CONSTITUTE A SYSTEM OF CARE FOR MANY MILLIONS OF AMERICANS--MANY OF WHOM ARE INELIGIBLE FOR MEDICARE AND MEDICAID COVERAGE, THE SO-CALLED "MEDICALLY INDIGENT" WHO ARE,BY DEFINITION, MOST IN NEED OF ASSISTANCE. THE PROPOSED FY 1983 BUDGET CUTS IN HEALTH CARE, INCLUDING MEDICARE AND MEDICAID, WOULD UNDERMINE THE FINANCIAL VIABILITY OF COUNTY FACILITIES, THEREBY JEOPARDIZING THE CARE OF ALL THEY SERVE.

IN 1980, THE COST TO LOCAL GOVERNMENTS FOR PROVIDING HEALTH CARE SERVICES AMOUNTED TO SOME $13 BILLION. SINCE THAT TIME, HEALTH COSTS HAVE INCREASED AT THE RATE OF 15 PERCENT A YEAR, WHILE MEDICAID AND OTHER FEDERAL AND STATE HEALTH FUNDING HAS BEEN REDUCED, ALONG WITH FUNDING FOR A WIDE ARRAY OF OTHER SERVICES WHICH COUNTIES PROVIDE. CLEARLY FEDERAL AND STATE BUDGET CUTS COUPLED WITH A CONTINUED ESCALATION IN COSTS WILL FORCE CONTINUED REDUCTIONS IN SERVICES. WE WILL SUBMIT FOR THE RECORD DATA WHICH DEMONSTRATES THIS TREND IN A NUMBER OF ..JOR COUNTY FACILITIES IN RESPONSE TO FY 1982 BUDGET CUTS AND THE PROJECTED ACCELERATION OF THIS TREND, GIVEN THE ADMINISTRATION'S PROPOSED CUTS FOR FY 1983.

PROPOSED CUTS IN PROGRAMS THAT OFFER THE HOPE OF MODEST, SHORT-TERM SAVINGS ARE OF EQUAL CONCERN TO NACO, WHERE HIGHER LONG-TERM COSTS ARE SURE TO RESULT. SPECIFICALLY, NACO IS OPPOSED TO THE PROPOSED REDUCTIONS IN FUNDING FOR HEALTH PLANNING AND STRONGLY URGES A RESTORATION OF FUNDING TO THE ADMINISTRATION'S FY 1981 LEVELS. THIS FUNDING LEVEL WOULD ASSURE THE CONTINUATION OF HEALTH PLANNING IN STATES AND COMMUNITIES WHERE THERE HAS BEEN SUFFICIENT INDICATION OF THE COST-EFFECTIVENESS OF HEALTH PLANNING ACTIVITIES.

FINALLY, WE REQUEST AN AMENDMENT TO THE FY 1981 RECONCILIATION ACT BLOCK GRANT LEGISLATION TO REQUIRE UNIFORM REPORTING OF DATA ON SPENDING BY THE STATES. CURRENTLY, STATES ARE REQUIRED TO SUBMIT DATA IN A FORMAT TO BE SPECIFIED BY THE SECRETARY. UNFORTUNATELY, NO ..ECIFIC FORMAT HAS BEEN ESTABLISHED. NACO BELIEVES ACCOUNTABILITY TO CONGRESS ON THE SPENDING

OF FEDERAL DOLLARS CAN ONLY BE ASSURED IF REPORTING AMONG THE STATES IS CARRIED OUT ON A UNIFORM BASIS.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, WE WOULD BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE. THANK YOU.

Statement of Paul S. Egan

At the outset, we wish to limit our remarks to DoL programs which have a direct impact on veterans employment. Of particular concern are the Veterans Employment Service (VES), the Disabled Veterans Outreach Program (DVOP) and the Local Veterans Employment Representatives (LVER) operating out of State Employment Security Agencies (SESA).

Since its establishment in 1933, the VES has matured into a sophisticated nationwide network of Regional Directors, State Directors, Assistant State Directors and national support staff. On paper its total complement is approximately 225 positions. In reality, however, it has been some time since the VES has been fully staffed and provided with adequate travel funds. In our estimation the Fiscal Year 1983 budget request of approximately $8.5 million would adequately support 225 positions with $586,000 in travel funds.

Of particular importance to The American Legion is the future state of the DVOP and LVER. DVOP specialists are intended to emphasize outreach work and are stationed at local job service and VA offices. LVER specialists are all stationed at local job service offices and handle initial applications, counseling and referrals.

Funding for these programs has been provided through the Federal Unemployment Trust Account (FUTA). Due to last years FUTA cuts in conjunction with rapidly rising unemployment rates, the State Employment Security Agencies were forced to cut personnel levels as well as numerous local job service offices. Falling under the operational control of the state employment security agencies, many DVOP and LVER specialists were laid-off or fired. Since each of these programs is federally mandated at specified personnel strengths, we recommend adding the DoL funding request for each to the overall FUTA appropriation.

Moreover, with the enactment of P.L. 96-466, DoL now has a full Assistant Secretary of Labor for Veterans Employment. With this in mind, we recommend that funding for DVOP and LVER be given specific line items under the heading of Assistant Secretary of Labor for Veterans Employment. In the past these funds were subsumed under the Employment Training Administration's budget and identified as "Veterans Service". Consequently, there was little control or accountability by the states as to how the funds were spent. Indeed, it has not been unusual to find states utilizing veterans' funds for non-veteran programs and personnel. By providing the new Assistant Secretary with specifically identified line items, funding and operational controls can be both enhanced and monitored to provide maximum efficiency.

Mr. Chairman and members of this Subcommittee:

The American Legion thanks you for allowing us the opportunity to present its views on the Department of Labor (DoL) Fiscal Year 1983 budget. Pertinent resolutions adopted by the Legion are attached with the request that they be made part of the record.

At the outset, we wish to limit our remarks to DoL programs which have a direct impact on veterans employment. These include the Veterans Employment Service (VES), the Disabled Veterans Outreach Program (DVOP), the Local Veterans Employment Representatives (LVER), the State Employment Security Agencies (SESA) and the Office of Veterans Reemployment Rights (OVRR).

The VES was established with the enactment of the Wagner-Peyser Act of 1933 and since that time has matured into a sophisticated nationwide network of Regional Directors, State Directore, Assistant State Directors and national support staff. All of these are headed by the Assistant Secretary for Veterans Employment (ASVE). On paper its total complement is approximately 225 positions. In reality, it has been some time since the VES has been fully staffed and provided with adequate travel funds.

Currently, the VES has the following vacancies: 1 Regional Director, 2 State Directors, 12 Assistant State Directors and 9 secretarial positions. Except for the Regional Director, all of these positions are mandated by law and many have been vacant for nearly three years. Moreover, the VES is presently operating under a travel freeze imposed for FY 82.

Necessarily, the VES has had to severely curtail its critically important field activity at a time of unprecedented veteran unemployment rates which exceed those of non-veteran peers. We are aware of some State Directors who must do their own clerical work or find a friendly secretary. Many are backlogged in paperwork, reports and letters. Because of the travel freeze, they are often unable to review local Job Service Office veterans programs and otherwise cancel important meetings. In some instances, there are very dedicated State Directors who depend on the goodwill of their friends for housing and meals when traveling in rural areas--not to mention the expenditure of personal funds without reimbursement. In our view it is a sad commentary to note that both the program as well as its personnel are hamstrung at a time when they are most needed.

Mr. Chairman, The American Legion was one of the service organizations which supported the creation of an Assistant Secretary of Labor for Veterans Employment (ASVE). Our support in this matter stemmed from a concern that programs for veterans administered under DoL were disparate, susceptible to leaderlessness and therefore less effective than intended by Congress. We believed and continue to believe that fiscal and operational accountability for veterans programs could be enhanced if placed under the direct control of a full Assistant Secretary of Labor.

That position has now been created with the enactment of P.L. 96-466. Under the stewardship of the Assistant Secretary, we expect things organizationally to change dramatically for the better. However, leadership from the Assistant Secretary must be supplemented with sufficient funds to maintain a responsive and operationally effective program. In our estimation, the FY 83 VES budget request of approximately $8.5 million would adequately support 225 positions with $586,000 in travel funds.

Of particular importance to The American Legion is the future state of the Disabled Veterans Outreach Program (DVOP) and the Local Veterans Employment Representatives (LVER). Each of these programs is federally mandated. The former is federally authorized a personnel strength of 2,018 nationwide. The latter is authorized a personnel strength depending on the size of the local veteran population, but ranges around 2,000 nationwide. In each case, these specialists are intended to provide outreach, job counseling and referral services to veterans. The DVOP specialists are intended to emphasize outreach work and are stationed at local job service offices and VA offices. The LVER specialists are all stationed in local job service offices and handle initial applications counseling and referrals.

Funding for these programs has been provided through the Federal Unemployment Trust Account (FUTA). In the case of the DVOP, FY 82 funding was pegged at $43 million. Last year the House Labor Appropriations Subcommittee sought to add $43 million to FUTA for the purpose of insuring that the DVOP maintained operations. The Senate Labor Appropriations Subcommittee prevailed over the House by earmarking $43 million for DVOP, while holding the FUTA appropriation constant. Due to last years FUTA cuts in conjunction with rapidly rising unemployment rates, the State Employment Security Agencies were forced to cut personnel levels as well as several local job service offices.

Even though the situation was substantially reversed with the enactment of an urgent supplemental appropriation last February 22, it is estimated that there are only between 1,300-1,500 DVOP specialists currently employed at the state level. Indeed, states are becomming increasingly resistant to acceptance of this program, since its personnel strength is counted in the overall job service personnel strength level with FUTA becoming a constant source of funding contention.

The DoL proposes for FY 83 a funding level of $44 million to support the DVOP. With the funding source again identified as FUTA, we strongly recommend that the funding request be added to rather than absorbed by FUTA. Forcing the states to absorb this program with no additional assistance can only lead to further program complications.

This situation, Mr. Chairman, likewise holds true for LVERs. Their numbers, as previously mentioned, fluctuate with the amount of veteran applicants to the job service. Given the recent rash of office closings and lay-offs, it is unclear how many LVERs have survived. We do know, in that regard, that LVERs are often the least senior job service personnel and are subject to the axiom of last hired, first fired. Under the circumstances, states can and often must comply with l[illegible] by laying off or firing LVERs and then simply anointing more senior personnel to take their places; all of this, regardless of concern for or knowledge of the problems of veterans. As with DVOP, LVERs are funded out of FUTA. The FY 83 request for LVERs is $55.4 million to sustain 2,000 nationwide. As with the DVOP, we recommend that the request for LVErs be added to rather than absorbed by FUTA.

Mr. Chairman, having briefly discussed the DVOP and LVER situation, we simply ask that each of these programs be recognized as vital to veterans. It is, after all, these specialists who provide the hands on services that Congress intended veterans to have. In that regard the most effective way of assuring that these services are performed and programs held accountable is to provide budgetary line items for each and that these line items be subsumed under the Assistant Secretary of Labor for Veterans Employment.

In the past these programs have been funded under the Employment Training Administration's budget identified as "Veterans Service" and reflecting a total amount. Thus, there was little control or accountability by the states as to how the funds were spent. Importantly, it has not been unusual to find states utilizing veterans' funds for non-veteran programs and personnel. By providing the new office of Assistant Secretary of Labor for Veterans Employment with specifically identified line items, funding and operational controls can be both enhanced and monitored.

Before leaving the subject of Disabled Veterans Outreach and Local Veterans Employment Representative programs, The American Legion would like to bring one further matter to the subcommittee's attention. In the Senate, legislation has already been introduced, on behalf of the Administration, which would restructure and replace the Comprehensive Employment and Training Act (CETA). That legislation, S. 2184, contains a section for veterans in which an authorization may be approved for the purpose of letting grants and contracts to veteran Community Based Organizations (CBO). These operations would provide supplemental employment/training services to veterans by housing outreach and peer counseling efforts. Designed to augment the job service effort, this concept would utilize local job service offices, DVOP specialists and LVERs in a coordinated fashion to maximize employment opportunities for all veterans, but particularly disabled and Vietnam-era veterans. We expect a similar legislative initiative in the House very soon and wish to make this subcommittee aware of a possible new authorization so that if passed, it can be funded.

What we refer to here is not new. In 1980, under title VI of CETA, plans were made to fund veteran CBO operations under the Targeted Technical Assistance program (TTA). Last year, however, title VI of CETA was eliminated. Today, only one of the planned CBO operations is functioning. Forty others died on the drawing boards and two were cut off shortly after getting started.

Apart from the aborted programs for veterans under TTA, we are aware of over fifty community programs nationwide which serve the needs of their veterans. Many of these are sponsored by major veterans organizations, civic groups, churches and just concerned citizens. These programs offer a range of services not found elsewhere and currently exist on Governor's discretionary funding. They provide counseling, outreach, referral and follow-up on a variety of veterans problems ranging from VA benefits to social problems to unemployment difficulties. With the forthcoming termination of CETA funds, these CBO programs, as with TTA programs, will be hardpressed to find alternative resources.

Mr. Chairman, we would now like to turn out attention to the State Employment Security Agencies (SESA). As you know, the FY 82 budget cuts would have crippled SESA without the recently enacted supplemental appropriation. With this appropriation they will be able to maintain a staff level of approximately 24, 8000 nationwide. The request for FY 83 of $740.8 million can only support 21,800 staffers nationwide--a reduction of 3,000. Recognizing that labor market demands have risen 35 percent since 1966 and that the nation generally is experiencing a period of high unemployment, we have serious doubts about the sufficiency of the requested funding level.

Moreover, many SESA offices are reopening with the infusion of funds from the last supplemental appropriation. We sincerely hope these same offices will be able to avoid closing down in October once again.

Our final remarks, Mr. Chairman, concern the Office of Veterans Reemployment Rights (OVRR). This program safeguards Veterans' rights for those who leave their jobs for military service. That program is proposed at $2.6 million for FY 83 and would support 48 positions. We believe that this amount is the minimum to sustain an effective program and any loss would have a severe negative effect on those veterans attempting to regain lost employment entitlements.

Mr. Chairman, this concludes our statement.

NATIONAL EXECUTIVE COMMITTEE
OF THE AMERICAN LEGION
INDIANAPOLIS, INDIANA

May 6-7, 1981

RESOLUTION NO. : 9

COMMITTEE : ECONOMICS

SUBJECT : SEEK LEGISLATION TO SECURE SECRETARIAL POSITIONS FOR EACH STATE DIRECTOR FOR VETERANS EMPLOYMENT AS FEDERAL EMPLOYEES

WHEREAS, PL 96-466 (38 USC 2003) placed responsibility to appoint full-time clerical support assistance for each State Director of Veterans Employment upon the Secretary of Labor; and

WHEREAS, The Secretary of Labor has interpreted Section 2003 to mean that such full-time clerical support shall be drawn from the respective State Employment Security Agency personnel; and

WHEREAS, The Department of Labor's fiscal '82 budget proposes the elimination of such clerical support as federal employees; and

WHEREAS, Such status as State employees frustrates the intent and principle of Section 2003; and

WHEREAS, Such status as State employees will have a severe detrimental impact on State Directors of Veterans Employment; now therefore be it

RESOLVED, By the National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, May 6-7, 1981, that The American Legion seek legislation to amend 38 United States Code, 2003, to secure for each State Director of Veterans Employment full-time federal clerical support.

NATIONAL EXECUTIVE COMMITTEE
OF THE AMERICAN LEGION
INDIANAPOLIS, INDIANA
OCTOBER 14-15, 1981

RESOLUTION NO. : 22

COMMITTEE : ECONOMICS

SUBJECT : SEEK ESTABLISHMENT OF SEPARATE VETERANS EMPLOYMENT TRAINING PROGRAM APPROPRIATIONS TO BE ADMINISTERED BY THE VES

WHEREAS, The employment training needs of all veterans, especially Vietnam era veterans and disabled veterans, are substantially diverse from the employment training needs of other groups served by current manpower programs; and

WHEREAS, Programs under the Comprehensive Employment and Training Act have never delivered adequate services to veterans despite federal requirements and guidelines; and

WHEREAS, The current Administration proposes the elimination of CETA in many respects and to substitute manpower programs to be administered by the states predicated on their respective needs; and

WHEREAS, Based on this proposal States and the State ES system have not been historically responsible to the manpower needs of their veterans; and

WHEREAS, Chapter 41 of title 38, United States Code, provides that the VES, among other things, is to design and implement veterans employment training programs; and

WHEREAS, Congress has never appropriated funds for the VES to specifically address the severe problem of veterans unemployment and underemployment; and

WHEREAS, This inability to actively and decisively affect veterans employment training has caused the VES to assume a passive and secondary role; and

WHEREAS, The appropriation of separate funds for the VES to design, implement and monitor veterans; employment programs would have a profound positive effect on underemployed and unemployed veterans; now therefore be it

RESOLVED, By The National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, on October 14-15, 1981, that The American Legion seek to have Congress appropriate funds specially earmarked for the use of the VES to design, implement and monitor manpower training programs to meet the unemployment and underemployment needs of veterans.

SIXTY-THIRD ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 29-SEPTEMBER 3, 1981
HONOLULU, HAWAII

RESOLUTION NO. : 40

COMMITTEE : ECONOMICS

SUBJECT : DISABLED VETERANS OUTREACH PROGRAM

WHEREAS, Congress made permanent the Disabled Veterans Outreach Program with the enactment of PL 96-466 (38 USC 2003A); and

WHEREAS, Appropriations for the program are authorized under title 42, Section 1101, United States Code; and

WHEREAS, Under that authorization are all employment activity services, but not identified as specific line item budget amounts within the Department of Labor's Employment and Training Administration budget; and

WHEREAS, Such fiscal grouping of programs may cause other programs to be funded to the detriment of the Disabled Veterans Outreach Program; and

WHEREAS, Such fiscal grouping of programs provides no fiscal control and accountability of the Disabled Veterans Outreach Program; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Honolulu, Hawaii, September 1, 2, 3, 1981, that The American Legion urge Congress and/or the Department of Labor to provide the Disabled Veterans Outreach Program with specific and separate line item budget requests; and be it further

RESOLVED, That the Department of Labor be urged to implement an effective administrative control mechanism to ensure Disabled Veterans Outreach funds are being utilized for the intended purpose.

RESOLUTION NO. : 72

COMMITTEE : ECONOMICS

SUBJECT : ADEQUATE FUNDING FOR THE VETERANS EMPLOYMENT SERVICE

WHEREAS, Chapters 41 and 42, title 38, United States Code, provide for an effective job placement, counseling and training programs for veterans, and provide, in Chapter 41, that the Secretary of Labor provide necessary funds for this purpose; and

WHEREAS, The U.S. Department of Labor has not fully responded with meaningful and productive efforts to provide for maximum employment and training opportunities for veterans; and

WHEREAS, The U.S. Department of Labor inadequately funds the Veterans Employment Service of the U.S. Department of Labor; and

WHEREAS, Such underfunding compounds the problem of unemployment of veterans, especially unemployment problems of disabled and Vietnam era veterans, which continue to remain at high and unacceptable levels; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Honolulu, Hawaii, September 1, 2, 3, 1981, that The American Legion request that the Secretary of Labor shall submit to Congress a line item budget for the operation of the Veterans Employment Service; and require fiscal accountability to ensure that funds appropriated for the Veterans Employment Service are used for such purpose.

RESOLUTION NO. : 441

COMMITTEE : ECONOMICS

SUBJECT : SEEK LEGISLATION TO SECURE SECRETARIAL POSITIONS AS FEDERAL EMPLOYEES FOR EACH STATE DIRECTOR FOR VETERANS EMPLOYMENT

WHEREAS, PL 96-466 (38 USC 2003) placed responsibility to appoint full-time clerical support assistance for each State Director of Veterans Employment upon the Secretary of Labor; and

WHEREAS, Congress, in enacting section 2003, made no provision that these positions should be federal employees; and

WHEREAS, Such ambiguous wording has caused the Department of Labor to interpret section 2003 to place staffing responsibility on the respective states; and

WHEREAS, Such status as State employees would have a severe detrimental impact on State Directors of Veterans Employment; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Honolulu, Hawaii, September 1, 2, 3, 1981, that The American Legion seek legislation to amend 38 United States Code, 2003, to secure for each State Director of Veterans Employment full-time federal clerical support.

RESOLUTION NO. : 517

COMMITTEE : ECONOMICS

SUBJECT : REQUIRE THE DEPARTMENT OF LABOR TO PROVIDE THE OFFICE OF ASSISTANT SECRETARY OF VETERANS EMPLOYMENT WITH SEPARATE LINE ITEM BUDGETS FOR ADMINISTRATION AND VETERANS PROGRAMS

WHEREAS, PL 96-466 elevated the Deputy Assistant Secretary of Labor for Veterans Employment position to a full Assistant Secretary for Veterans Employment and statutorily mandated the Disabled Veterans Outreach Program with administrative responsibility to the ASVE; and

WHEREAS, PL 96-466 can only be properly carried out by realigning the currently fragmented veterans programs within the Department of Labor under the ASVE; and

WHEREAS, The ASVE must administer veterans programs, but will have no control or influence over budgets for these programs since budget items for these employment programs for veterans must remain with the parent program component; now therefore be it

RESOLVED, By The American Legion, in National Convention assembled in Honolulu, Hawaii, September 1, 2, 3, 1981, that The American Legion require the Department of Labor to provide the office of the Assistant Secretary of Labor for Veterans Employment with separate and distinct line item budget for the administration of veterans programs; and be it further

RESOLVED, Seek to have all veterans programs within the Department of Labor aligned under the office of the Assistant Secretary for Veterans Employment.

HEALTH SERVICES ADMINISTRATION PANEL

STATEMENTS OF:

STEVE WILHIDE, SECRETARY, NATIONAL RURAL PRIMARY CARE ASSOCIATION, WATERVILLE, MAINE

DONALD BUZARD, MEMBER, NATIONAL BOARD OF DIRECTORS, PLANNED PARENTHOOD FEDERATION OF AMERICA, INC., WASHINGTON, D.C.

LESLIE TARR LAURIE, CHAIRPERSON, PUBLIC AFFAIRS COMMITTEE, IMMEDIATE PAST PRESIDENT, NATIONAL FAMILY PLANNING AND REPRODUCTIVE HEALTH ASSOCIATION, INC., WASHINGTON, D.C.

JUDIE A. BROWN, PRESIDENT, AMERICAN LIFE LOBBY, WASHINGTON, D.C.

ROBERT RUSSELL, PROJECT DIRECTOR, SOUTH PHILADELPHIA HEALTH ACTION, REPRESENTING THE NATIONAL ASSOCIATION OF COMMUNITY HEALTH CENTERS, WASHINGTON, D.C.

Senator BURDICK. Back on the record. In order to make sure that everyone gets heard, we're going to invoke the light system again. The green light is 5 minutes. The yellow light means you have 1 minute to close up. The red light means you're through! [Laughter.]

So try to compress your testimony. Who is first?

STATEMENT OF STEVE WILHIDE

Mr. WILHIDE. I am executive director of the Southern Ohio Health Services Network. I would like to give you a mental picture of how health services are delivered at a local level and how cuts so far have affected the delivery of those services.

Southern Ohio Health Services Network was formed in 1975, because the area had a critical shortage of physicians. About half of the primary care physicians had left or died or retired in the previous 10 years. Therefore, many of the Appalachian counties were in dire straits and without mental care at all. So the Southern Ohio Health Services Network was developed with a small Appalachian Commission grant and a section 330 grant. We have six primary care centers in these counties. Our administrative functions are handled centrally from my office, including billing of management functions.

We have gone from a budget of about $250,000 to a budget of $1.7 million, of which I would like to point out, only 37 percent represents Federal funds. That includes $1.07 million generated from patient revenues this year. We certainly collect from all patients who have the ability to pay. Federal funds represent 37 percent of our budget. That takes care of those people who are medicaid or medically indigent and do not have the ability to pay.

This year we will provide over 50,000 beds in our six centers and an additional 15,000 visits in the hospitals. I have attached a table to my testimony which shows the growth of the network and which shows a pattern of increasing services with a decrease in proportion of the budget coming from Federal funds; however, I would like to point out that at a time when the lowest unemployment rate in our service area is 14 percent and the highest unemployment rate in one of our counties is 22 percent, we cannot go below the 37 percent Federal funds we currently have. We are seeing people, who are formerly employed and had health insurance now unemployed and without health insurance, coming to us as medically indigent people, people who at one time were self-pay patients.

I would like to point out also that in one of our counties the public assistance caseload has tripled in the past 5 years. Keep in mind, you are talking about an Appalachian area, rolling hills, two lane highways, rather tortuous in the winter, and the only industry of any sort is small tobacco patches.

We have been informed that this year we will be cut by $90,000 over the previous fiscal year, and we are not sure yet how to make up those funds.

Later in my testimony I—the Feds suggested we eliminate the adolescent program, and later I would like to read a letter indicating some of what that program does do. In addition, we are a very important part of the local economy. We employ about 65 people. One of the communities has a 40-bed hospital, and our physicians are responsible for at least one-third of the admissions in that hospital. And as you know, rural hospitals are struggling for their survival. Without these physicians, the hospital would have closed years ago.

So that in addition, medical services are absolutely critical to attract any industry into a community. You are from a rural State, Senator, I am sure you are aware of what communities face when they do not have a doctor and how hard it is to attract other industry and business to a community that has no physician or dentist.

In addition, I would like to give you an idea of how our program operates at the local level. This Congress appropriates funds on a categorical basis for all kinds of programs. At the local level, those programs come together. We formed a complete network of services. We have tied in with mental health agencies, the WIC program, family planning program, prenatal program and others, to the point that we all share staff. We share staff for the health department planning agencies. All of those programs have received cuts. A 10- or 20-percent cut in each one of those programs has resulted in about a 100-percent cut in terms of an overall program effect. The local health department now has completely dismantled the prenatal program. Indigent women will have nothing, no place to go for prenatal care and will be back to the emergency rooms in labor with no prenatal care.

Our program cannot afford to pick up this cut in funds. It was an Appalachian Regional Commission funded program.

I see I have the yellow light. I'm going to skip through here.

In addition, we picked up the WIC program and received a 25-percent cut. I think the point I am making is that there is a network at the local level where we share staff. Social workers and a nurse are commodities, and they are scarce resources. We utilize them to the fullest across various programs and across various agencies.

As I indicated earlier, the regional office suggested that we just eliminate the adolescent part of the program. I'd like to read you a letter to our adolescent health nurse who, by the way, works part-time in this program.

> Hello, how are you? I was wondering if I could talk to you about something personal. See, over the weekend I had so many problems, and I tried to kill myself, and I was at Western Union Hospital, but I still had the same problems and cannot get rid of them, because I do not have anyone to talk them out with.
>
> Will you please take time to listen to my problems and try to help me?

I have a briefcase full of such letters, Senator.

These programs are going to be cut. These are real people being hurt. People who will not have prenatal care. I hope I have given you some picture of whatis going on in the local level, and urge you to not cut further into these programs.

Thank you.

STATEMENT OF ROBERT RUSSELL

Mr. RUSSELL. We have prepared written testimony, which we would like to have inserted in the record.

Senator BURDICK. It will be inserted.

Mr. RUSSELL. We find ourselves in a continuing situation in cutbacks year after year. There is very little appreciation of the implementation of those cuts at the local level.

I am executive director of the Urban Health Center. We serve approximately 12,500 people and have been in business since 1969.

We originally conceived a broad operation of comprehensive health center providing care for the members of our community who were poor or near-poor, and those days long since have passed.

We have programs such as vector control, day care, etc. And in 10 or 15 years we have cut back. To give you some idea of what our funding level has been just in the last 4 years, in 1979 we received $1.4 million in Federal support. In 1982 we will receive $770,000.

This has necessitated an extreme cut in not only operational modality but also the services we make available to the citizens of our community.

It is our opinion and the national association's opinion that this is rather short-sighted. What we are essentially doing is going back to create a situation where only episodic care will be provided.

It seems to me when one takes this situation and couples it with the increasing deductible that is going to be made available under medicare with the reduction of services that will be covered under medicaid, that we will once again see a large and growing segment of the population uncovered and uninsured.

They will have two places where they can receive care. On one extreme they will be able to receive care at a community health center, if we in fact continue to be funded, or in the other extreme they will be seen in emergency rooms.

The problem with the emergency room situation is it will further exacerbate the cash flow and the financial plight of hospitals across the country.

In terms of how it has affected us in an immediate sense, staff reductions from 99 to 44. In previous years the center was operating one evening and one-half day Saturday a week. We're now open one evening a month.

In terms of special services we no longer make any referrals at all. X-ray and lab have been severely restricted. Transportation has been severely restricted.

The one which bothers me the most, the pharmacy, has been eliminated. We now have people whom we can no longer provide digitalis to. We have diabetics that we no longer provide insulin to. They do not qualify for title XIX supplement. And then they must fend for themselves.

Pediatric services have been severely restricted and social services are virtually nonexistent. I think the cruelest part of all is we have turned our center into basically a bill-collecting operation.

It is in our interest now that we pursue each and every third-party dollar available. We must, therefore, insist that elderly people pay their adequate shares of deductibles. We must insist that those people who have any source of income whatsoever must make at least some minimal token contribution.

This relates to the fact that not only we require those dollars, but also it has become a part of our funding mechanism to prove that we are exercising astute management in pursuing all third-party reimbursement that we must pursue with these people. It creates a rather harsh environment in which to work.

I need not explain to you what it is like to tell an elderly person that unless they give you 2 or 3 dollars they can only be seen in an emergency situation.

Accordingly, and given the staggering situation that we face, I would recommend that passage of the 1982 supplemental amendment which brings the funding level up to $2.84 million as approved by this Senate in its original bill. This action is imperative as the current legislation contemplates closing further centers.

With that I will conclude my testimony.

Senator BURDICK. Thank you. Ms. Laurie.

STATEMENT OF LESLIE TARR LAURIE

Ms. LAURIE. Good afternoon, my name is Leslie Tarr Laurie, and I am appearing before you today as chairperson of the Public Affairs Committee and immediate past president of the Board of Directors at the National Family Planning and Reproductive Health Association, which we call NFPRHA.

I also serve as the executive director of the Family Planning Council of Western Massachusetts, based in Northampton, Mass.

What I would like to do is to give an abbreviated version of my testimony, and I would appreciate it if the complete testimony could be put in the record.

Senator BURDICK. It will be so done.

Ms. LAURIE. The National Family Planning and Reproductive Health Association is nonprofit, headquartered in Washington, D.C., established to improve and expand the delivery of family planning and reproductive health care services throughout the United States.

Title X is the primary voluntary family planning program funded by the Federal Government. More than half of all of the Federal dollars for family planning services comes from title X. The program's priority is to serve a population of approximately 10 million women at risk of unattended pregnancy, including 5 million adolescent women and 5 million adult women in families with incomes below 150 percent of poverty.

In 1981 these funds and other Federal funds helped provide services to approximately 4.5 million of the 10 million low-income women and teenagers in every county in the Nation through 3,900 programs and 5,100 individual clinic sites. Of that 4.5 million, 3 million were adult women and only 1.5 million were children.

Often title X programs are the only preventive health care available to low-income women and teenagers in a particular locale, and thus serve as the primary medical service for these individuals.

Title X programs offer medical care and counseling services that include all birth-planning methods, pap smears, breast exams, venereal disease screening, pregnancy counseling, contraceptive counseling, infertility counseling, routine lab work, and pelvic exams.

As title X clinics are the entry point for millions of women and their families into any kind of health care system, there is a unique public health value to the title X program. This general good extends beyond individual patients served in the title X clinics to a collective benefit for the public at large. They upgrade the Nation's general health.

In fiscal year 1981, the Congress appropriated $166 million for title X programs, subsequently reduced through a recission request to only $162 million. Under the terms of the Budget Reconciliation Act of 1981 the title X program was reauthorized for 3 years.

But its appropriations were reduced drastically to $130 million in fiscal 1982. During the appropriations process last year, every action of the Congress at the subcommittee, full committee, and floor levels recognized the need for the family planning programs to be funded at the fully authorized level of $130 million.

On October 6, while considering H.R. 4560 the House of Representatives overwhelmingly defeated an attempt to reduce the funding for title X below $130 million. Only with the passage of Public Law 97-92 and Public Law 97-161 did the Congress reduce title I funding, and that reduction was not directed at family planning specifically but at all discretionary programs.

Under the terms of Public Laws 97-92 and 97-161 the final appropriations figures for fiscal year 1982 for title X became $124.8 million. The proposed Federal budget for fiscal year 1983 submitted by the President last February indicated the administration intended to spend only $123 million.

NFPRHA strongly urges this subcommittee and the entire Congress to again reject the administration's proposals which were resubmitted with the proposed fiscal year 1983 budget and to approve the maximum allowable appropriations for title X.

The fiscal—in fiscal 1983 that maximum allowable level is $143 million. Such an appropriation level would place the funds available to the title X program at a level of 11.7 percent below the funding level of 2 years ago.

We fully understand and appreciate the economic climate and imperatives under which the Congress must make its fiscal 1983 appropriations decisions. But we feel title X has been essential to the continued welfare and health of this country.

Therefore, I would hope that this committee and the full Senate would feel that it was within its power to appropriate the full $143 million for family planning services.

Even at that level, all of the women in need of these essential preventive health services will need to go without. But with any cuts, the cuts will drastically affect the lives of millions of women across this country.

And I would hope that this Senate and Congress would have more sense than that. So thank you.

Senator BURDICK. Thank you. Mr. Buzard.

STATEMENT OF DONALD BUZARD

Mr. BUZARD. Mr. Chairman and members of the subcommittee, I am Donald Buzard, volunteer and national board member of Planned Parenthood Federation of America.

On behalf of Planned Parenthood's 188 community-based affiliates in 42 States and the District of Columbia, I am here today to urge your continued strong support for family planning services funding under title X.

Title X is a program that has addressed an immediate and important national problem effectively and cost-efficiently.

In 1979, one year alone, at least 800,000 low-income women and teenagers in the United States successfully averted pregnancies they did not want.

Of those 800,000 women, 420,000 who would have sought abortions, had they become pregnant, did not have to do so. And $558 million dollars in Government funds for medical care, social services, welfare, and public housing did not have to be spent.

These accomplishments of only a single year were directly attributable to the national family planning program, which title X has been the core and major source of Federal support for the past 12 years.

Planned Parenthood is part of its community-based affiliates, part of this clinic network, which also comprises health department hospitals, HMO's and other health centers.

This network, with the help of Government funds, was able in 1979 to reach 4½ million individuals of whom Planned Parenthood served 27 percent and was able to provide them free or at a reduced cost-voluntary family planning services they otherwise would not have been able to obtain.

These family planning services go far beyond the simple prescription of the contraceptive method. The range of services in their family planning clinics includes a complete medical exam, screening for cervical and breast cancer, sickle-cell anemia, hypertension, and venereal disease, as well as counseling and education.

Mr. Chairman, the national family planning program is clearly working. In little more than a decade, it has made remarkable strides, yet for each of the 4½ million individuals who benefited from the program in 1979 there was at least one somewhere else who wanted and needed such services but could not obtain them.

There were 1½ million abortions in 1979; there were 1.1 million teenage pregnancies. All of this was occurring even before most Federal social programs, including title X, were cut last year by 25 percent.

Not only did title X suffer a substantial loss of funds, but so did the maternal and child health and title XX social services programs that were previously significant supplementary sources of Federal family planning support.

But it's still too early to assess the full impact of last year's budget cuts. The Department of Health and Human Services estimates that more than 500,000 women currently involved in the family planning program will be turned away outright.

Aside from simply reducing caseloads, other methods for coping with the cuts include raising patients' fees, reducing clinic hours, reducing staff, and narrowing the scope of services offered.

And within the Planned Parenthood family, volunteers all over the country have intensified their private fundraising activities and have set ambitious goals, but in these times of reduced economic activity, the prospects for outstanding success here are not very great.

I would like to close on one other subject: The problems of inaccessibility to services and the unacceptably high incidence of abortion and teenage pregnancy have always been severe enough. But now the Department of Health and Human Services has proposed a regulation that would require parents of unemancipated minors to be notified in all instances when the minors seek prescription contraceptives from title X-supported programs.

Planned Parenthood vigorously opposes these proposed regulations because an absolute guarantee of confidentiality is essential to our ability to serve our patients. There are even more stringent parental consent and notification requirements as well as anti-abortion provisions in the Adolescent Family Life Act.

And Planned Parenthood regrets that it must oppose that program as it is currently constructed, despite our commitment to the provision of necessary health and social services to pregnant adolescents and adolescent parents.

Even so, I want to emphasize to this subcommittee that as strongly as Planned Parenthood opposes breach of patient privacy, we have long been actively involved in efforts to foster better communication between parents and their teenagers on a voluntary basis. And we call on the Department to alter or withdraw this proposed rule in the interest of achieving our mutual objective of preventing unwanted teenage pregnancies.

And we pledge to work with the Department in developing programs and approaches that will truly encourage parents and teenagers to communicate on these subjects while not deterring anyone from seeking medical services.

In closing we strongly urge you to approve the full $143 million allowable under last year's Reconciliation Act.

Thank you.

Senator BURDICK. Thank you. Mrs. Brown.

STATEMENT OF JUDIE A. BROWN

Ms. BROWN. I am Judie Brown, president of the American Life lobby with over 100,000 members and the stated advisory committees, active in all 50 States.

Before I begin my abbreviated testimony, I would like to request your permission to submit a letter for the record in response to Planned Parenthood's comments on family planning regulations and the Adolescent Family Life bill, as we support both.

Senator BURDICK. So done.

[The letter follows:]

LETTER FROM JUDIE BROWN

MAY 21, 1982.

Hon. HARRISON H. SCHMITT,
Chairman, Appropriations Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Senate Office Building, Washington, D.C.

DEAR SENATOR SCHMITT: First of all, my apologies for submitting this letter to you at such a late date. Pursuant to the agreement which I had prior to my oral testimony, there are several comments which I must submit for the record of those hearings with regard to the Public Health Service and title X of PHS in particular.

During the hearings of the Labor, Health and Human Services. Education and Related Agencies Appropriations Subcommittee of May 3 1982, Senator Burdick, who was chairing the meeting, asked a question of the panel, of which I was a member, concerning the administration's proposal for a block grant for Black Lung, Migrant and Family Planning Services. The American Life Lobby supports the block grant proposal but at a funding level of $118 million which would reflect the $48 million cut in the title X funds that are justified by GAO Report HRD 81-68.

In addition, I feel it is necessary to take issue with the response of Steve Wilhide of Maine and Mr. Robert Russell of Pennsylvania. Both of these gentlemen said that their States did not have the experience to administer health programs under a block grant program: Mr. Wilhide was referring to the State of Ohio.

This is not strictly accurate because since 1965 both Ohio and Pennsylvania have participated in partnership management of primary and other health care programs through the Appalachian Regional Commission. Under section 202 of the Appalachian Regional Development Act of 1965, as amended, Ohio has in part managed $49,893,767 in health care grants and Pennsylvania has in part managed $34,086,078 in health care grants.

Further, the American Life Lobby is strongly in favor of the Adolescent Family Life Program, presently under consideration as a possible source of funding under title XX. It is our hope that the subcommittee and then the full Committee on Appropriations will take the $16 million which has been requested for Adolescent Family Life directly out of title X of the Public Health Service Act and simply transfer these funds over to the new program under title XX. As our testimony adequately pointed out, title X of the Public Health Service Act is riddled with problems which have been highlighted in the GAO Report, HRD 81-68, which was submitted to Congress last year.

Therefore, the transfer of funds from title X to title XX would give the Government the opportunity of testing a new program where older programs have failed and thus submit to the taxpayer the real concern of the Congress to spend taxpayer dollars in a manner which is efficient, effective, and at the same time concerned with the entire family as a single unit rather than the present course of family planning programs which is directed solely at young people to the exclusion of their parents. Or, as Planned Parenthood is wont to say, "efforts are made to involve the family whenever possible;" the records show this to mean never.

Further, this is yet another reason for our support of Secretary Schweiker's proposed regulations with regard to parental notification when prescription drugs and devices are offered to youngsters (unemancipated teenagers between the ages of 12 and 17). These regulations, in our opinion, suggest that the Government is interested in the family as a total unit and believes that the family should be involved in the major decision of a young person to submit herself to the taking of a prescription drug or device which may possibly harm her body in some way. Because of the magnitude of such a decision, it seems only right that the entire Congress would support the Secretary's goal of involving the family to the greatest extent possible.

We note with interest the efforts of a particular title X PHS fund recipient, using their organization for the purpose of lobbying against legislation. We recognize that this is a possible violation of 18 U.S.C. 1913 and Sec. 509 of H.R. 4560 which provision was carried into law with the recent enactment of continuing resolution. Attached is a letter which we have sent to Hon. Charles A. Bowsher on this concern. Please note our documentation.

Thank you again, Senator, for allowing me to enter these remarks into the record of the hearings of May 3, 1982.

With God for Life,

(Mrs.) JUDIE BROWN, *President.*

[CLERK'S NOTE.—The copy of the letter to Comptroller General Bowsher, referred to by Mrs. Brown at the conclusion of her letter, has been made part of the subcommittee's files.]

WASTE OF TAXPAYERS' MONEY

Ms. BROWN. The money for the title X program paid for in part National Condom Week, which was promoted by Planned Parenthood of Metropolitan D.C. and also paid for the Fourth Annual Rubber Disco, where decorations included a rainbow of different-colored blown-up condoms, and where the winner of this contest was to receive a prize of $35.

This function received national press coverage and a copy of this press coverage is included with my complete testimony.

This is not a joke, this is what taxpayers' hard-earned money appropriated by this subcommittee is being used for. And this is a waste of taxpayers' money.

This program is riddled with waste and abuse. GAO Report HRD 81-68 dated June 19, 1981 identified four areas of waste and abuse in the title X program; namely, excessive patient visits, the wrong type of educational programs, excessive anemia screening, and non-cost-effective venereal disease testing.

In addition, the General Accounting Office report cited this program for mismanagement: noninstituting and enforcing the collection of fees based upon the sliding scale reimbursement requirements for all grantees.

There appears to be in addition to this a duplication of funding between title X family planning programs and the title V maternal and child health block grant.

Based on this General Accounting Office study, the American Life lobby believes that $48.7 million can be immediately saved. We call on this subcommittee to appropriate no more than $75 million for fiscal year 1983 for title X.

This cut must be made by this committee. The title X bureaucracy and the Department of Health and Human Services for almost 10 months has ignored the General Accounting Office report and has, to the best of my knowledge, taken no specific action or promulgated any regulations to implement the changes or rectify the waste and abuse cited by the General Accounting Office Report HRDA 81–68.

I call to your attention the language on page 17 of House Report 97–251 on the fiscal year 1982 Labor and HHS education appropriation bill, H.R. 4560, and I quote:

> The committee expects the Department to carefully examine the June 19, 1981 General Accounting Office report on family planning. The Department should report back to the committee before the fiscal year 1983 hearings any recommendations that it can make to improve the operation of this program relative to the issues raised in the GAO report.

To my knowledge, the Department of Health and Human Services has only recently complied with this directive and has not promulgated any changes in the operation of the program that would save the taxpayers the money the GAO says is being wasted on this program, as cited in the report.

As a matter of fact, the Department's testimony on behalf of the bearer of community services, fiscal year 1983 budget, does not mention the GAO report at all. No orders have been issued to the title X clinics to reduce the excessive number of patient visits, physical exams, and pelvic examinations to extenders of the American College of Obstetrics and Gynecology.

Nothing has been done to limit the education component to the amount necessary for birth control method of choice. Nothing has been done to reduce the unnecessary anemia testing for COG standards.

Nothing has been done to reduce the excessive V.D. testing in violation of DHHS guidelines and the ACOG standards. Nothing specific has been done to insure collection of fees. Instead the report by John Kelso for the Department of Health and Human Services to the House Appropriations Subcommittee said that the Department has "closely monitored" and he said guidelines are currently being revised, and he finally said: "Regional office staff will conduct random programs and review."

In short, the report is bare gobbledygook that in effect says, we are not going to do anything specific.

Finally, because the yellow light is on, I would like to read to you some suggested language that we would like inserted in the appropriations language this year, and it reads:

> Provided that no funds appropriated to carry out title X of the Public Health Service Act may be used to perform abortions or to make grants or contracts with any entity

that promotes and encourages or counsels or refers patients for abortions, or that includes abortion as a method of family planning.

If you research section 1008 of title X as originally written, the legislative intent is completely clear. Congressman Dingell, who authored the statement, said prior to passage of the amendment:

> The committee members clearly intend that abortion is not to be encouraged or promoted in any way through this legislation. Programs which include abortion as a method of family planning are not eligible for funds allocated through this act.

The language we suggest would simply reinforce the legislative intent of section 1008 of title X.

Thank you.

QUESTIONS

Senator BURDICK. The administration will enlarge the primary care block grant to include black lung services, migrant health, and family planning categorical programs. From your perspectives, what are the pros and cons of consolidating these programs into the primary care block grant? Would anybody care to answer that?

Ms. LAURIE. Yes; I think it is essential that family planning services continue to be a categorical program. Last year during the process of appropriations and reauthorization for title X, a full look at why it was essential for family planning to stay categorical occurred, and I think some of those notions which were talked about at that time included the fact that family planning and family planning services transcended State borders and it seemed completely unfair for someone to be able to have access to services in one place and not in another.

I think more importantly, as you heard from one panelist today, they are a strong group of rather loud and vocal individuals who do not understand the family planning program, do not understand that what we do is not provide abortion services through title X. And my fear is that if the Federal Government retrenches and determines that categorical family planning not continue, that rather than seeing family planning as the important health service that it is, that those people who do not understand it will destroy it within their political mission. And for those of us who are concerned about the issue of health, the wisdom of the Congress in keeping family planning categorical needs to continue for the Nation's health.

Mrs. BROWN. I would like to respond also, Mr. Senator. Obviously, we would encourage the administration to place title X into a block grant, simply because once we see that program at the State level controlled by the people who reside in those States, through effective laws and regulations that could be passed, all of the violations of the General Accounting Office as already cited in the area of waste and abuse alone, let alone family concerns, we feel would be more adequately controlled.

Second, there has been a tremendous amount of wasted money invested in this program, and statistically, even according to the Allen, Good, Barker Institution's own old statistics, the program, over the last 12 years, has been anything but successful, so certainly it would not hurt to try a block grant program for this title X at this point.

Mr. WILHIDE. I can tell you that in Ohio the State does not want the primary care block grant. They have no experience in administrating primary care, they really do not want to get involved in that. The other concern is that right now these programs are operated by local boards. Consumers serve on those boards, they make the local decisions. The legislation would take away that local decisionmaking authority, and quite frankly, many of the programs are concerned that it will become a very political issue; and furthermore, that funds that ordinarily are going into primary care and other categorical programs will be converted into rat control or rabies control or some other kind of thing, replacing existing traditional State health department funds. So there is quite a bit of concern that these funds will be diverted from their original intent, and that they will replace funds that States have traditionally been using to fund traditional public health programs.

I would add the State of Ohio has no intent in pursuing the block grant. They cannot manage the medicaid program.

Mr. RUSSELL. The State of Pennyslvania has rejected the block grant. I guess my concern is that two terms tend to be bandied about. On the one hand there is the assumption, the underlying assumption, that in fact the programs turned back to the States would be more democratic. I disagree with that vehemently. I think that if one goes back historically and looks at why legislation was proposed in programs implemented at the national level, it was to supersede the inadequacies of State administration of programs.

The secondary thing is that the States have never demonstrated that they can effectively run any program. One looks in the area of primary care, it has not been borne out. There is a tremendous amount of difference between awarding contracts for highways and providing care to people.

My other area of concern, in terms of the block grant situation, is that what is going to be the mechanism where the staffing is going to come from? The proposals made to date, in fact, provide no funds for administration. It means there will be a reduction of direct service dollars to the individual grantees.

As my colleague has stated, we now have a process where democracy works. Those individuals who are affected, primarily the individual recipients in the community, make the decision as they compose the board of directors of these organizations that apply for funds and expend those funds.

Senator BURDICK. The next question I have is—and the last one—will community health service centers be able to secure additional support over what they already receive from State and local sources and through body reimbursements in the coming year, in order to offset the possible reductions in Federal support?

Mr. RUSSELL. No, sir. I think, if anything, we will receive less support. I think that there is a dastardly game afoot. One is the whole idea that the private sector will come to the rescue, vis-a-vis philanthropic effort. That has not been borne out to date. Given the financial problems they have in the recession we are in, I doubt seriously they are going to turn the corner in that situation in the immediate future.

I think the other thing that happens is that there is a reduction overall in coverage that is available. The title XIX program is excluding people. The Social Security Administration continues to increase the deductibles that elderly people have to pay. The States themselves are using these mechanisms to finance their own cash flow. Our cash payments that we receive from the State of Pennsylvania continue to run behind. Whereas a month ago they were 30, 60 days late, now as we reach the end of their fiscal year, they run 4 or 5, 6 months late. We will end up financing the title XIX program in the State of Pennsylvania.

Mr. WILHIDE. One of our counties just did away with the position of Public Health Commissioner because they could no longer afford the $5,000 token salary they were paying the county health commissioner. The same counties have asked us to take over some of their local health department functions because they no longer can afford to do it, due to State cutbacks. As you can see, the question is reversed and State and local areas are asking us as Federal recipients to take over some programs that they can no longer afford. It is becoming a very vicious circle, and unfortunately, there are lots of people out there who are suffering in response.

I might add, also, that a local physician—we have seen many physicians come and go in the rural area because the economy is not such to enable them to make a living. The State of Ohio has not increased its physician payments since 1972. The average charge in the area is around $20. A physician who came out to the area told me that his costs, without paying himself a salary, are about $13 per visit and medicaid is paying $10, so he is taking a $3 loss. Unfortunately, our medicaid population is growing by leaps and bounds because private physicians, not that they do not want to take care of these people, cannot afford to take care of these people and stay in the area, so we have become the resource.

Senator BURDICK. Thank you all. Your statements will be inserted in the record at this point.

[The statements follow:]

STATEMENT OF STEPHEN WILHIDE

SUMMARY OF CONCERNS

- CONTINUED FEDERAL SUPPORT IN PROVIDING FOR PATIENTS IN LOW POPULATED AND ECONOMICALLY STRAINED AREAS.
- MANY LOCAL AREAS ARE NOT ABLE TO ASSUME THE ROLE OF PROVIDING CARE THROUGH THE COMMUNITY AND MIGRANT HEALTH PROGRAMS. THUS, EXTREME CAUTION SHOULD BE TAKEN IN DEVELOPING THE PRIMARY CARE BLOCK GRANT PROGRAM.
- RESTORATION OF THE NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM FUNDS TO CONTINUE THE PROGRAM AND PROVIDE FOR ESSENTIAL EDUCATION AND FEE COSTS.
- ALTHOUGH PRIMARY CARE CLINICS HAVE BEEN ABLE TO ABSORB CUTS IN FEDERAL AID, BY:
  A. REDUCING SOME PREVENTATIVE SERVICES,
  B. DECREASING AMOUNT PAID TO HOSPITALS & PHYSICIANS IN THE AREA FOR REFERRAL CARE;
  C. INCREASING THE AMOUNT TO BE PAID BY PATIENTS FOR SERVICES RENDERED... ANY ADDITIONAL CUTS WOULD SEVERALLY IMPAIR ACTUAL DELIVERY OF CARE TO PATIENTS.
- RECOGNITION FOR THE QUALITY, COST EFFICIENT MANNER IN WHICH CARE IS PROVIDED.
- RECOGNITION FOR PROVIDING CARE THAT IS MORE ACCEPTABLE, ACCESSIBLE, AND AVAILABLE TO PATIENTS IN UNDERSERVED AREAS WHERE TREATMENT WOULD NOT NORMALLY BE AVAILABLE.

I WISH TO THANK YOU FOR THE HONOR OF APPEARING BEFORE YOU. I COMMEND YOU FOR TAKING THE TIME AND EFFORT TO LISTEN TO VARIOUS PEOPLE DISCUSS THE STATE OF HEALTH CARE DELIVERY IN THIS COUNTRY.

THE PRIMARY HEALTH DELIVERY SYSTEM, SUPPORTED BY THE FEDERAL GOVERNMENT IN RURAL AREAS CONTINUES TO BE PRIMARY CARE RESEARCH AND DEMONSTRATION PROGRAMS, RURAL HEALTH INITIATIVES, AND FIELD PLACEMENT OF NATIONAL HEALTH SERVICE CORP OFFICERS

THE PROGRAMS INTERLOCK AND EACH PROVIDES AN IMPORTANT VEHICLE FOR CARE DELIVERY WHILE SUPPORTING THE OTHER COMPONENTS. RURAL HEALTH INITIATIVES AND PRIMARY CARE RESEARCH AND DEMONSTRATION GRANTS PROVIDE FOR THE ESTABLISHMENT OF COMPREHENSIVE HEALTH PROGRAMS FOR AREAS WITH LOW POPULATION DENSITY AND FEW RESOURCES. PLACEMENT OF CORP OFFICERS, IN INTEGRATED OR FREE STANDING SITES, PROVIDES A PROTECTED BEGINNING FOR PRACTICES IN WHAT ARE CONSIDERED DIFFICULT AREAS TO RECRUIT OR RETAIN PROFESSIONALS. TAKEN TOGETHER, THE PROGRAMS PERMIT CARE TO BE DELIVERED IN REMOTE AREAS WHICH COULD NOT OTHERWISE SUPPORT A DELIVERY SYSTEM, OR TO RURAL POPULATIONS WITHOUT THE FINANCIAL MEANS TO AFFORD PRIVATE SECTOR CARE.

LATELY, SUCH PROGRAMS HAVE BEEN UNDER ATTACK. FUNDS FOR COMMUNITY HEALTH CENTERS WERE REDUCED IN THE LAST CONTINUING RESOLUTION, CAUSING APPROXIMATELY 125 CENTERS TO CLOSE THEIR DOORS.

THE REASONS GIVEN FOR FUNDING REDUCTIONS INCLUDED STATEMENTS THAT FEDERALLY SUPPORTED CARE HAS NOT BEEN COST EFFECTIVE, AND THAT MANY AREAS NO LONGER HAVE A NEED FOR THE SERVICES PROVIDED, BUT RATHER ARE ADEQUATELY SERVED BY ADJACENT SERVICES.

THE FACTS ARE THAT, IN RURAL AND REMOTE AREAS, ADJACENT SERVICES ARE NORMALLY UNAVAILABLE, AND DISTANCE IS NOT THE ONLY BARRIER FOR ACCESS TO CARE. POVERTY REMAINS A SERIOUS PROBLEM, AND SLIDING FEES ARE A MUST FOR SIGNIFICANT PORTIONS OF THE POPULATION. IT IS ALSO A FACT THAT THE RURAL COMMUNITY HEALTH CENTERS OPERATE ON A VERY COST-EFFICIENT BASIS, WELL-MANAGED AND DIRECTED BY COMMUNITY MEMBERS WHO DONATE THEIR TIME TO ENSURE QUALITY CARE. AN OBJECTIVE EXAMINATION OF THE FEDERALLY SUPPORTED HEALTH PROGRAMS IN RURAL AREAS WOULD INDICATE THAT SUCH PROGRAMS ARE VERY SUCCESSFUL - IN DELIVERY OF CARE, IN COST EFFICIENCY, AND IN PREVENTION OF HIGHER COST OF CARE IN THE FUTURE, TO BE PERMITTED TO FAIL FOR LACK OF FUNDING.

DIRECT FEDERAL INVOLVEMENT IN THE HEALTH DELIVERY SYSTEMS FOR RURAL AREAS HAS TAKEN TWO PATHS - COMPREHENSIVE CARE

PROGRAMS HAVE BEEN PROVIDED BY FEDERALLY SUPPORTED COMMUNITY HEALTH CENTERS, INCLUDING RURAL HEALTH INITIATIVES AND PRIMARY CARE RESEARCH AND DEMONSTRATION PROGRAMS. PROFESSIONAL PROVIDERS HAVE BEEN PLACED FOR RURAL AREAS, EITHER IN FREE STANDING SITES OR SITES INTEGRATED WITH THE ABOVE PROGRAMS, THROUGH THE FIELD PLACEMENT PROGRAM OF THE NATIONAL HEALTH SERVICE CORPS. THE PROGRAMS INTERLOCK, AND EACH PROVIDES AN EFFECTIVE VEHICLE FOR CARE DELIVERY WHILE ENHANCING THE EFFICIENCY AND QUALITY OF RELATED PROGRAMS.

THERE CONTINUE TO BE, IN THIS COUNTRY, AREAS WHICH ARE MEDICALLY UNDERSERVED. PARTICULARLY IN RURAL AREAS, LONG DISTANCES AND LOW POPULATION DENSITIES PRECLUDE THE ESTABLISHMENT OF IMMEDIATELY PROFITABLE PRACTICES. EVEN IN AREAS OF SUFFICIENT POPULATION TO SUPPORT A SINGLE PHYSICIAN PRACTICE, ACCESS TO ALLIED FORMS OF CARE OR PREVENTIVE HEALTH EXPENSES ARE SEVERELY RESTRICTED. RURAL HEALTH INITIATIVES AND PRIMARY CARE RESEARCH AND DEMONSTRATION GRANTS PROVIDE FOR THE ESTABLISHMENT OF COMPREHENSIVE HEALTH PROGRAMS FOR AREAS OF LOW POPULATION DENSITY AND FEW RESOURCES. PLACEMENT OF NATIONAL HEALTH SERVICE CORPS OFFICERS, IN INTEGRATED OR FREE-STANDING SITES, PROVIDE A PROTECTED BEGINNING FOR PRACTICES IN WHAT ARE CONSIDERED DIFFICULT AREAS TO RECRUIT OR RETAIN PROFESSIONALS. TAKEN TOGETHER, THE PROGRAMS PERMIT CARE TO BE DELIVERED IN REMOTE AREAS WHICH COULD NOT OTHERWISE SUPPORT A DELIVERY SYSTEM, OR TO RURAL POPULATIONS WITHOUT THE FINANCIAL MEANS TO AFFORD PRIVATE AMBULATORY CARE.

IN THE PAST YEAR, DECREASING FEDERAL EXPENDITURES FOR SOCIAL PROGRAMS HAVE CAUSED CONSIDERABLE REDUCTIONS IN THE FUNDS AVAILABLE FOR THE PROGRAMS UNDER DISCUSSION. FUNDS FOR COMMUNITY HEALTH CENTERS WERE REDUCED FROM 320 MILLION TO 243 MILLION DOLLARS ANNUALLY. THIS HAS MEANT COMPLETE

TERMINATION OF FEDERAL FUNDS FOR 130 CENTERS, SERVING 422,000 PATIENTS, AS OF APRIL 1, 1982. BY SEPTEMBER 30, 1982, FEDERAL FUNDING WILL BE TERMINATED FOR AN ADDITIONAL 70 CENTERS. THE NUMBER OF FEDERALLY SUPPORTED CENTERS WILL FALL FROM 850

TO 650 BY SEPTEMBER 30, AND THE CENTERS WHICH ARE LEFT WILL HAVE TIGHTENED THEIR BELTS CONSIDERABLY, REDUCING ADMINISTRATIVE COSTS AND ALLIED HEALTH SERVICES, IN AN ATTEMPT TO CONTINUE TO PROVIDE CARE FOR GROUPS WHICH WOULD FIND CARE OTHERWISE UNAVAILABLE.

WE RECOGNIZE THAT A GENERAL REDUCTION IN FEDERAL FUNDING HAS TAKEN PLACE, AND THAT NEARLY ALL DISCRETIONARY PROGRAMS HAVE BEEN AFFECTED. HOWEVER, AMONG THE REASONS GIVEN FOR REDUCTION IN FUNDING WERE THAT FEDERALLY SUPPORTED CENTERS HAVE NOT BEEN COST EFFECTIVE, AND THAT THE AREAS IN QUESTION ARE NO LONGER UNDERSERVED, THAT ADEQUATE CARE IS AVAILABLE IN ADJACENT AREAS.

THE FACT IS THAT IN RURAL AND REMOTE AREAS, ADJACENT SERVICES ARE NOT NORMALLY AVAILABLE. THE FACT IS THAT DISTANCE IS NOT THE ONLY BARRIER TO QUALITY CARE. ACCESS TO CARE IS THE PRODUCT OF MANY COMPONENTS, NOT THE LEAST OF WHICH IS AFFORDABILITY. POVERTY REMAINS A SERIOUS PROBLEM, AND THE SLIDING FEE SCALES OFFERED BY COMMUNITY HEALTH CENTERS AND NATIONAL HEALTH SERVICE CORPS PROVIDERS ARE A MUST TO ENABLE SIGNIFICANT PORTIONS OF OUR POPULATION TO OBTAIN CARE. AN OBJECTIVE EXAMINATION OF THE FEDERALLY SUPPORTED HEALTH PROGRAMS IN IN RURAL AREAS WOULD SHOW THAT THEY ARE VERY SUCCESSFUL - IN DELIVERY OF CARE, IN COST EFFICIENCY, AND IN PREVENTION OF MORE EXPENSIVE SECONDARY OR TERTIARY CURE IN THE FUTURE, MUCH TOO EFFECTIVE TO BE PERMITTED TO DIE FOR LACK OF FUNDING.

I WOULD SUBMIT TO YOU THAT THE FEDERALLY SUPPORTED HEALTH CENTERS IN RURAL AREAS ARE USING GRANT FUNDS TO PROVIDE SERVICES IN A COST EFFICIENT MANNER, WHICH WOULD OTHERWISE BE UNAVAILABLE. A 26% CUT IN A SINGLE YEAR HAS DAMAGED THE GOALS AND OBJECTIVES OF THE PROGRAM, BUT HAS BEEN ABSORBED, WITH DIFFICULTY, BY RURAL PROVIDERS. THE ELASTICITY OF THE SYSTEM, HOWEVER, CANNOT OPERATE INDEFINITELY. FURTHER CUTS WOULD SERIOUSLY INTERFERE WITH THE ABILITY OF RURAL PROVIDERS TO MEET THE HEALTH NEEDS OF THEIR CONSTITUENTS, AND CRIPPLE A SYSTEM FOR WHICH, IN MANY AREAS, THERE IS NO ALTERNATIVE.

IN SUMMARY, I WANT TO CONVEY TO YOU THREE THINGS:

1. PEOPLE NEED HELP THROUGH THE COMMUNITY HEALTH CENTER AND MIGRANT HEALTH PROGRAM.
2. THE MONEY WE HAVE BEEN GIVEN HAS BEEN WELL-SPENT AND IN A RESPONSIBLE, BUSINESS-LIKE MANNER.
3. MANY LOCAL AREAS ARE NOT ABLE TO ASSUME THE ROLE OF PROVIDING HEALTH CARE THROUGH THE COMMUNITY AND MIGRANT HEALTH PROGRAMS. HENCE, EXTREME CAUTION SHOULD BE TAKEN IN DEVELOPING THE PRIMARY CARE BLOCK GRANT PROGRAM.

STATEMENT OF ROBERT RUSSELL

I AM HERE TODAY AS A REPRESENTATIVE OF THE NATIONAL ASSOCIATION OF COMMUNITY HEALTH CENTERS, SPEAKING ON BEHALF OF THE MORE THAN 950 COMMUNITY-BASED, PRIVATE NON-PROFIT PRIMARY (I.E., COMMUNITY AND MIGRANT) HEALTH CARE CENTERS THROUGHOUT OUR NATION. THESE CENTERS PROVIDE BASIC HEALTH CARE TO AMERICA'S POOREST, MOST DISADVANTAGED PEOPLE--FROM INNER-CITY GHETTOS AND URBAN INDIAN NEIGHBORHOODS TO RURAL MIGRANT FARMWORKER CAMPS AND ISOLATED, RESOURCE-POOR COMMUNITIES.

I AM DEEPLY APPRECIATIVE OF THIS OPPORTUNITY TO DISCUSS WITH THE COMMITTEE THE TRUE IMPACT OF THE FUNDING CUTS IN VITAL HEALTH CARE PROGRAMS, WHICH WERE ENACTED BY THE CONGRESS LAST YEAR, AND TO SHARE MY VIEWS OF THE POTENTIAL DISASTER THAT ACCOMPANIES THE ADMINISTRATION'S PROPOSED FISCAL 1983 BUDGET.

AS I VIEW THAT BUDGET PROPOSAL, ALONG WITH THE EVENTS OF THE PAST YEAR, I AM APPALLED. IT IS CLEAR THAT THIS ADMINISTRATION HAS CHOSEN A COURSE OF ACTION WHICH FEW TRULY BELIEVE WILL WORK.

THE REPUBLICAN PARTY PLATFORM FOR 1980 SAID IT WELL: "THE MEASURE OF A COUNTRY'S COMPASSION IS HOW IT TREATS THE LEAST FORTUNATE." AND YET, THE ADMINISTRATION HAS SYSTEMATICALLY AND SIGNIFICANTLY REDUCED VIRTUALLY EVERY PROGRAM WHICH WAS CREATED TO SERVE OUR "LEAST FORTUNATE." FROM FOOD STAMPS TO CHILD NUTRITION TO BASIC HEALTH CARE AND SOCIAL SERVICES, THE ADMINISTRATION - WITH, I MIGHT NOTE, THE COMPLICITY OF A MAJORITY IN THIS CONGRESS - HAS PUSHED THROUGH

FUNDING CUTS WHICH WILL LEAVE MILLIONS OF OUR NEEDIEST AND MOST DESTITUTE COUNTRYMEN WITHOUT EVEN THE MOST BASIC CARE AND SERVICES.

THAT SAME REPUBLICAN PARTY PLATFORM SAID, WITH RESPECT TO HEALTH CARE, AND I QUOTE:

> "WE ENDORSE ALTERNATIVES TO INSTITUTIONAL CARE. NOT ONLY IS IT COSTLY BUT IT ALSO SEPARATES INDIVIDUALS FROM THE SUPPORTIVE ENVIRONMENT OF FAMILY AND FRIENDS. IN ADDITION, WE ENCOURAGE THE DEVELOPMENT OF INNOVATIVE ALTERNATIVE HEALTH CARE DELIVERY SYSTEMS AND OTHER OUT-PATIENT SERVICES AT THE LOCAL LEVEL."

A MOST AGREEABLE STATEMENT; AND YET THE RECORD SHOWS RUTHLESS CUTS IN THE VERY PROGRAMS WHICH PROVIDE THE ALTERNATIVE TO INPATIENT CARE - PROGRAMS SUCH AS COMMUNITY AND MIGRANT HEALTH CENTERS AND HEALTH MAINTENANCE ORGANIZATIONS.

ON THE ISSUE OF PREVENTION, THE PLATFORM STATES:

> "WE WELCOME THE LONG-OVERDUE EMPHASIS ON PREVENTIVE HEALTH . . . ADDITIONALLY, HEALTH PROFESSIONALS . . . HAVE LONG RECOGNIZED THAT PREVENTING ILLNESS OR INJURY IS MUCH LESS EXPENSIVE THAN TREATING IT."

I COULD NOT AGREE MORE. BUT WHAT DO WE SEE --? HUGE CUTS IN EVERY PROGRAM THAT IS IN ANY WAY RELATED TO PREVENTION, SUCH PROGRAMS AS MATERNAL AND CHILD HEALTH, THE WOMEN, INFANTS AND CHILDREN FEEDING PROGRAM, FAMILY PLANNING, IMMUNIZATION, ALCOHOL AND DRUG ABUSE PREVENTION, AND SO ON.

FUNDING CUTS FOR HEALTH SERVICES PROGRAMS RANGED ABOUT 23% FOR FY 82 (SEE TAB A). THE COMPOUND EFFECT OF THESE CUTS WILL BE PAINFUL, PARTICULARLY FOR FAMILIES IN THE LOWER-MIDDLE AND LOWER INCOME BRACKETS, AND, ESPECIALLY DURING THESE TIMES OF HIGH UNEMPLOYMENT. ACCORDING TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, ABOUT 23 MILLION PEOPLE UNDER AGE 65, MOST WITH LOW INCOMES, HAVE NO INSURANCE AT ALL; AND ANOTHER 20 MILLION TOTAL HAVE NO COVERAGE FOR OUTPATIENT SERVICES.

COMMUNITY HEALTH CENTERS, LIKE MOST OF THE OTHER HEALTH SERVICE PROGRAMS WERE CREATED TO MEET THE NEEDS OF THESE SPECIAL POPULATIONS, PEOPLE LIVING IN BOTH URBAN AND RURAL AREAS WHICH HAD A SHORTAGE OF HEALTH SERVICES AVAILABLE AND ACCESSIBLE TO ITS POPULATION. PATIENTS WERE ASKED TO PAY FOR SERVICES BASED ON THEIR INCOMES. CENTERS WERE NEEDED BECAUSE NEITHER STATES NOR LOCALITIES HAD DEVOTED SUFFICIENT RESOURCES FOR HEALTH CARE, ESPECIALLY FOR SPECIAL POPULATIONS SUCH AS FARMWORKERS AND THE WORKING POOR. IN FISCAL 1981 THERE WERE 920 COMMUNITY AND MIGRANT HEALTH CENTERS PROVIDING CARE TO 5.7 MILLION PATIENTS.

THE CUTS ENACTED BY CONGRESS IN FISCAL 1982 FOR THESE TWO PROGRAMS ALONE WILL RESULT IN THE TERMINATION OF 200 CENTERS AND A LOSS OF SERVICE TO 1.26 MILLION PATIENTS. (SEE TAB B) DATA FOR THE FIRST HALF OF THE FISCAL YEAR (THE RE-FUNDING PERIOD FOR ONLY 40% OF ALL GRANTEES) SHOWS THAT 50 CENTERS PROVIDING SERVICES TO ALMOST 400,000 PATIENTS HAVE BEEN CLOSED.

BECAUSE CONGRESS HAS DONE NO MORE THAN EXTEND THE CONTINUING RESOLUTION FOR THE REST OF THIS YEAR, THE BODY COUNT BY THE END OF THIS YEAR WILL BE CLOSE TO ONE AND A QUARTER MILLION PEOPLE.

BUT THIS ONLY BEGINS TO TELL THE STORY. THE 1983 BUDGET FOR HEALTH SERVICES CONTINUES FUNDING FOR THESE PROGRAMS AT THE 82 LEVEL -- THUS FAR. I FULLY EXPECT REVISIONS AND FURTHER CUTS IN FUNDING TO FOLLOW VERY SOON. BUT IF THIS CUT IS RETAINED IN FY 83, LET US EXAMINE WHAT HAPPENS AT THE LOCAL HEALTH CENTER. AS A RESULT OF CHANGES IMPOSED THROUGH THE RECONCILIATION ACT DURING FISCAL 1981:

- HEALTH CENTER GRANT FUNDING IS CUT BY 25%, NOT ACCOUNTING FOR INFLATION; CENTERS WILL NOW BE REQUIRED TO PAY FULL SALARY AND EXPENSES FOR ANY NATIONAL HEALTH SERVICE CORPS PHYSICIANS AND PERSONNEL;
- STATES WILL HAVE IMPLEMENTED MAJOR CHANGES IN THEIR MEDICAID PROGRAMS. MOST HAVE ALREADY TAKEN SOME ACTION, INCLUDING LIMITATIONS ON AMOUNT, SCOPE AND/OR DURATION OF SERVICES, AS WELL AS ELIGIBILITY REDUCTIONS. I WILL DISCUSS THE MEDICAID CUTS IN MORE DETAIL LATER ON.

- Centers, most of which have programs in Maternal and Child Health, WIC, or family planning will, in most cases, see severe reductions of even termination of grants for these services. In MCH or ADAMHA for example, States already have to deal with a 25% reduction in funding. Moreover, a recent HSA policy statement stipulated that health centers could no longer qualify for a Title X family planning grant.
- Many city or county health departments are already "dumping" their non-insured patients on health centers because they are running large deficits. Examples of this include Durham, N.C., Charleston, S.C., Louisville, KY, Chicago, Ill, Manhattan and Bronx, NY, Las Vegas, NV, and Newark, NJ, to name just a few.

So what happens at a typical delivery site?
BCHS policies note that:

- 15% - 20% of the centers will be terminated during 1932
- Another 15% are considered high priority, and will receive little or no cuts (10% to 12%)
- The remaining centers (65%) will be cut from 25% to 40%

We are assuming, by the way, there is no such thing as inflation! In States which have reduced their Medicaid programs thus far, the result has been a loss of income averaging 5% to 10% of the health centers operating budget. Since most centers have one or more NHSC physicians, their effective operating budget is reduced another 10% on average, due to the new payback requirements. Most centers are comprehensive and participate in other programs, particularly health prevention services such as nutrition, immunization, family planning, alcohol and drug abuse. Most of these service programs were cut by 25%. States will need at least 15% off the top to administer these programs formerly under federal jurisdiction. The real cut will be closer to 40%. This could reduce a center's operating budget by another 2 - 5% on average.

If the picture is not clear by now, let me focus in:

- The 25-40% cut in grant funding --

PLUS

- THE NEW NHSC PAYBACK REQUIREMENT --

PLUS

- THE CUTS IN MEDICAID AND OTHER 3RD PARTY REVENUES --
- THE CUTS OF UP TO 40% IN OTHER SOURCES OF SUPPORT --

WILL, WHEN SUMMED UP, CAUSE THE AVERAGE HEALTH CENTER'S BUDGET TO BE SLASHED BY 30% TO 45% FROM THE PREVIOUS YEAR'S LEVELS.

MOST HEALTH CENTER BUDGET ARE ABOUT ONE-HALF PERSONNEL COSTS AND ONE-HALF OTHER COSTS, SUCH AS RENT, UTILITIES, AND SUPPLIES. SINCE THESE OTHER COSTS ARE LARGELY FIXED AND INFLATE OVER TIME, THE FIRST CUTS WILL BE MADE IN PERSONNEL, ESPECIALLY IN THE AREAS OF PREVENTION, BECAUSE THEY ARE FREQUENTLY NON-REIMBURSABLE. YET, IT IS THESE SERVICES WHICH HAVE MADE THE HEALTH CENTER PROGRAM UNIQUE, EFFECTIVE AND EFFICIENT. THEN, MEDICAL STAFF AND HOURS OF OPERATION WILL BE CURTAILED. AS MORE PATIENTS ARE REFERRED TO CENTERS BECAUSE OF CUTS IN OTHER PROGRAMS, AND AS UNEMPLOYMENT RISES, THE CENTERS WILL LIMIT ENROLLMENT AND CUT PATIENT LOADS.

THE COMPOUND IMPACT OF THE ABOVE-LISTED CUTS COULD CAUSE HEALTH CENTERS TO REDUCE THEIR ENROLLMENT BY SOMEWHERE BETWEEN 1.8 MILLION AND 2.2 MILLION PEOPLE, WHEN ALL IS SAID AND DONE.

ON THE AVERAGE, HEALTH CENTERS HAVE REDUCED THE COST PER PERSON SERVED BY 36% DURING THE LAST FIVE YEARS. I WISH I COULD SAY THIS WAS BECAUSE WE WERE TOTALLY COST-CONSCIOUS; BUT I CAN TELL YOU THAT IT WAS MAINLY BECAUSE THE CENTERS WERE FACING EVER-INCREASING DEMAND WITH INCREASINGLY LIMITED RESOURCES. HEALTH CENTERS HAVE BEEN ECONOMIZING FOR YEARS!

THE POINT IS, WE ARE NOW FACED WITH A QUESTION OF QUALITY VERSUS QUANTITY. I ASSURE YOU WE WILL DO OUR BEST, BUT WE WILL NOT SACRIFICE QUALITY AND THERE ARE ONLY 24 HOURS IN A DAY. THE RESULT WILL BE THAT PATIENTS WILL BE TURNED AWAY OR REFERRED FROM ONE AGENCY TO ANOTHER WITH EXTREMELY LONG WAITING LINES. THEY WILL GO HOME - UNTIL THEY BECOME SEVERELY ILL.

YOU MUST ASK YOURSELVES, IS THIS ECONOMIC RECOVERY?

- SICK WORKERS WILL BE LESS PRODUCTIVE! THIS CAUSES LOSS OF LOCAL TAX INCOME, WHILE INCREASING TAX SPENDING AT THE SAME TIME.
- DISEASES THAT COULD HAVE BEEN PREVENTED OR TREATED EARLY ON WILL BECOME SERIOUS, REQUIRING HOSPITALIZATION - WHICH IS MUCH MORE COSTLY - OR CAUSING UNTIMELY DEATH!
- HOSPITALS ARE ALREADY FORCED INTO RAISING THEIR RATES TO COMPENSATE FOR BAD DEBTS AND INDIGENT CARE. LOCAL GOVERNMENTS WILL FACE TREMENDOUS PRESSURE TO KEEP LOCAL HOSPITALS SOLVENT. THIS MEANS INCREASED TAXES AND INSURANCE RATES IN MOST CASES.

MEDICAID PROGRAM

ASIDE FROM DIRECT GRANT SUPPORT THROUGH COMMUNITY AND MIGRANT HEALTH PROGRAMS, HEALTH CENTERS RELY HEAVILY ON REIMBURSEMENTS FROM THE MEDICARE AND MEDICAID PROGRAMS FOR OPERATING REVENUES. THE PAYMENTS FROM THESE AND OTHER THIRD-PARTY SOURCES CONSTITUTED 40% OF THE AVERAGE HEALTH CENTERS INCOME LAST YEAR - SECOND ONLY TO THE 50% WHICH COMES FROM GRANT FUNDING. IN A NUMBER OF STATES, HEALTH CENTERS HAVE ALREADY FELT THE IMPACT OF CUTBACK POLICIES IMPLEMENTED BEFORE THE RECONCILIATION ACT TOOK EFFECT LAST YEAR. IN PARTICULAR, SOME STATES HAD IMPLEMENTED CO-PAYMENTS FOR CERTAIN SERVICES, WHILE OTHERS HAD RESTRICTED THE NUMBER OR TYPES OF SERVICES, OR REDUCED CLINIC AND PHYSICIAN PAYMENTS. HEALTH CENTERS IN THOSE STATES HAVE REPORTED TWO SERIOUS CHANGES RESULTING FROM THE IMPLEMENTATION OF THESE KINDS OF POLICIES: FIRST - AS EXPECTED - THEIR MEDICAID REVENUES HAVE DECREASED, THUS PUTTING ADDED PRESSURE ON THEIR OTHER SOURCES OF SUPPORT; BUT SECONDLY - AND PERHAPS MOST IMPORTANTLY, IN THE CONTEXT OF THE ADMINISTRATION'S FISCAL 1983 MEDICAID PROPOSALS - THE NUMBER OF MEDICAID RECIPIENTS SEEKING CARE AT THE HEALTH CENTERS HAS INCREASED, AS FEWER AND FEWER INDEPENDENT PHYSICIANS ARE WILLING TO ACCEPT THE RESTRICTIVE POLICIES AND PAYMENT LEVELS IN THEIR STATE MEDICAID PROGRAMS. THE "BOTTOM LINE" REALITY IS THAT HEALTH CENTERS, ALREADY SEVERELY STRAPPED FOR RESOURCES, CANNOT BEGIN TO DEAL WITH THE INCREASED DEMAND, AND THUS MANY OF THESE PEOPLE WILL BE FORCED TO TURN TO HOSPITAL ROOMS FOR ROUTINE CARE WHERE THE COST IS UP TO 3 TIMES AS HIGH AS IN A HEALTH CENTER - OR THEY WILL SIMPLY GO WITHOUT ANY CARE, UNTIL THEY ARE SO ILL AS TO REQUIRE COSTLY INPATIENT HOSPITAL CARE. THIS IS THE TRUE

IRONY OF THE ADMINISTRATION'S "COST-CUTTING" MEASURES; THEIR ACTIONS WILL, IN THE LONG RUN, END UP COSTING FAR MORE THAN THEY SAVE.

THE MEDICAID REDUCTIONS CONTAINED IN THE RECONCILIATION ACT - AND THE VAST BULK OF CUTBACKS PROPOSED BY THE ADMINISTRATION FOR 1983 - WILL UNDOUBTEDLY CAUSE MORE OF THE SAME PAIN AND HARDSHIP FOR THE FEW PEOPLE IT DOES COVER (LESS THAN HALF THE POOR NATIONALLY. THEY WILL JUST AS ASSUREDLY END UP COSTING THE TAXPAYERS MORE IN THE LONG RUN.

THE ADMINISTRATION ESTIMATES THAT NEARLY 1 MILLION PEOPLE WILL LOSE MEDICAID COVERAGE AS A RESULT OF THESE CUTS. VIRTUALLY ALL OF THE LOSERS WILL BE WOMEN AND CHILDREN IN LOW-INCOME FAMILIES; EVEN THOUGH THEY COST LESS TO CARE FOR THAN ANY OTHER GROUP OF MEDICAID BENEFICIARIES. (IT GOES WITHOUT SAYING THAT THEY ARE CLEARLY THE MOST POLITICALLY VULNERABLE). IN FACT, A REVIEW OF THE ADMINISTRATION'S PROPOSED CUTS IN THE MEDICAID PROGRAM GIVES US A CLASSIC EXAMPLE WHERE THEIR BUDGET-CUTTING ZEAL RUNS DIRECTLY COUNTER TO THEIR RHETORIC.

- THEY WANT TO ENCOURAGE PEOPLE TO "GET OFF WELFARE", AND TO FIND A JOB; YET, THE CUTS THEY PUSHED FOR LAST YEAR HAVE - AS SHOWN IN COUNTLESS NEWS MEDIA STORIES - HAD JUST THE OPPOSITE EFFECT. THOUSANDS OF FAMILIES WITH INCOMES AT OR BELOW THE POVERTY LEVEL, WHEN FACED WITH OVERWHELMING MEDICAL CARE COSTS, HAVE HAD TO QUIT THEIR MEAGER-PAYING JOBS AND GO ON WELFARE IN ORDER TO KEEP OR OBTAIN VITAL MEDICAID COVERAGE.

- THEY WANT TO RESTRAIN THE INFLATIONAL SPIRAL IN HEALTH CARE COSTS; YET, THEY PROPOSE TO ACCOMPLISH THIS BY PLACING THE BURDEN SQUARELY ON THE BACKS OF THE RECIPIENTS, EVEN THOUGH 70 PERCENT OF ALL HEALTH CARE IS INDUCED BY PROVIDERS.

- THEY WANT TO ENCOURAGE PREVENTIVE HEALTH CARE, YET THEY PROPOSED TO DRASTICALLY REDUCE THE FEDERAL MATCH FOR THOSE SERVICES, IN A BLATANT ATTEMPT TO PUSH STATES INTO DROPPING THOSE SERVICES ALTOGETHER.

- THEY GRIPE INCESSANTLY ABOUT THE "UNACCEPTABLY HIGH" 19 PERCENT INFLATION RATE IN THE MEDICAID AND MEDICARE PROGRAMS; YET THEY PROPOSE LITTLE OR NOTHING IN THE WAY OF EFFECTIVELY CONTROLLING THE FASTEST-GROWING COST SECTORS, INPATIENT HOSPITAL CARE AND LONG TERM CARE.

WHAT THE ADMINISTRATION SEEMS TOTALLY UNABLE - OR UNWILLING - TO COME TO GRIPS WITH IS THE FACT THAT TODAY THE MEDICAID PROGRAM IS, MORE THAN EVER BEFORE, A PROGRAM WHICH PROVIDES MAINLY INSTITUTIONAL CARE FOR THE AGED, BLIND AND DISABLED. THERE IS NO DOUBT IN MY MIND THAT THESE PEOPLE NEED CARE - BUT THESE ARE HARDLY THE "WELFARE QUEENS" THAT OUR PRESIDENT IS SO FOND OF. AND YET, TWO-THIRDS OF THE MEDICAID EXPENDITURES NATIONALLY GO TO PROVIDE CARE FOR THOSE INDIVIDUALS. THE ADMINISTRATION IN ITS RHETORIC HAS SHOWN NO RECOGNITION OF THIS REALITY - AND UNTIL IT DOES, THE DEVELOPMENT OF ANY COHERENT PUBLIC POLICY AROUND THIS PROGRAM IS DOOMED, IN MY OPINION. IN THE MEANTIME, THE KINDS OF CUTS THEY HAVE PROPOSED - AND THE UNDUE PAIN AND HARDSHIP THOSE CUTS WILL CAUSE TO THE POOR AND NEEDY OF OUR NATION - ARE NOTHING SHORT OF UNCONSCIONABLE.

SUMMARY

IN SUMMARY, THIS ADMINISTRATION HAS CHARTED A MOST DANGEROUS COURSE IN ATTEMPTING TO REDUCE FEDERAL SPENDING FOR HEALTH CARE. THEIR PROPOSALS ARE WRONG, POORLY THOUGHT OUT, AND WILL ULTIMATELY COST US FAR MORE THAN THEY SAVE. I URGE THE COMMITTEE AND THE CONGRESS TO REJECT THESE PROPOSALS, AND I PLEDGE OUR ASSISTANCE IN HELPING TO DEVISE HUMANE, WORKABLE SOLUTIONS TO THE PROBLEMS WE FACE.

I WISH TO SPEAK WITH YOU BRIEFLY ABOUT THE HEALTH SITUATION IN PENNSYLVANIA . . . .

STATEMENT OF JUDIE A. BROWN

Mr. Chairman, Members of the Subcommittee, the money you have appropriated to the Title X program paid, in part, for "National Condom Week" promoted by Planned Parenthood of Metropolitan Washington, D.C. It also paid for the Fourth Annual Rubber Disco, where decorations included "a rainbow of different colored blown up condoms," and where "the height of festivities will culminate in a condom blowing contest, the winner of which is to receive a prize of $35.00."

Gentlemen, this is not a joke. This is what the taxpayers' hard-earned money, appropriated by this Subcommittee, is being used for.

This is an utter waste of taxpayers' money.

Gentlemen, this program is riddled with waste and abuse. GAO Report HRD 81-68 dated June 19, 1981, identified four areas of waste and abuse in the Title X program, nameley: a.) excessive patient visits; b.) the wrong type of education programs; c.) excessive anemia screening; d.) non cost-effective VD testing.

In addition, the GAO Report cited this program for mismanagement in not instituting and enforcing the collection of fees based upon the sliding scale reimbursement requirements for all grantees.

In addition, there appears to be a duplication of funding between the Title X Family Planning Program and the Title V Maternal and Child Health Program which requires emphasis on family planning.

Based on this GAO study, the American Life Lobby believes the following savings can be immediately made in the Title X program:

	Source	Annual Savings
A.)	GAO estimate of savings due to reduction in patient visits to American College of Gynocology and Obstetrics standards. (Pp 10 & 13)	$ 13,000,000.
B.)	Wrong type and too much education. GAO Report indicates that education time can be reduced by half. (P. 16) A very conservative estimate is this change would save $1,000 per clinic X 5,100 clinics.	$ 5,100,000.
C.)	Routine Anemia screening not needed (HCFA Reimbursements range from $1-$4.00) Using a $2.00 average cost per test X 3.8 million tests X ½ = 3.8 million. (P. 17)	$ 3,800,000.
D.)	Two routine V.D. tests not cost-effective by DHHS' own standards. $1.00 per test X ½ client population. (P.20)	$ 3,800,000.
E.)	Institution of Sliding Scale reimbursement for all grantees. (Six month fee collection $150,000 x 2 x 50 states). (P. 35)	$ 15,000,000.
F.)	Duplication of Maternal and Child Health Program. New Title V Authorization requires emphasis on Family Planning. (House Report 97-208, Page 786)	$ 8,000,000.
	Total Savings	$ 48,700,000.

We call on this Subcommittee to appropriate not more than $75 million for Title X in Fiscal Year 1983. ($123 million FY 83 budget request minus $48 million cost savings = $75 million).

This cut must be made by this committee because the Title X bureaucrats of the Department of Health and Human Services for almost 10 months have ignored the GAO Report and have, to my knowledge, taken no specific action nor promulgated regulations to implement any changes to rectify the waste and abuse cited by GAO Report HRD 81-68.

Further, I call to the attention of this committee, the language on Page 17 of House Report 97-251 on the FY 1982 Labor, HHS and Education Appropriation Bill (HR 4560):

> "The Committee expects the Department to carefully examine the June 19, 1981, General Accounting Office Report on family planning. The Department should report back to the Committee before the Fiscal Year 1983 hearings any recommendations it can make to improve the operations of the program relative to the issues raised in the General Accounting Office report."

To the best of my knowledge DHHS has only very recently complied with this directive and have not promulgated any changes in the operation of the program that would save the taxpayers' money that GAO says is being wasted on this program as cited in their report of nine months ago.

As a matter of fact, the Department's testimony on behalf of the Bureau of Community Health Services FY 1983 budget does not mention the GAO Report at all. No orders have been issued to the Title X clinics to reduce the excessive number of patient visits, physical exams and pelvic examinations to the standards of the American College of Obstetrics and Gynecology (ACOG) (annual savings $13.8 million-GAO estimate). Nothing has been done to limit the education component to the amount necessary for the birth control method of choice. Nothing has been done to reduce the unnecessary anemia testing per ACOG standards. Nothing has been done to reduce the excessive VD testing that is being done in violation of DHHS guidelines and ACOG standards. Nothing specific has been done to insure collection of fees as required by the 1974 Sliding Scale Fee Regulations.

Instead the report of John Kelso for DHHS to the House Appropriations Subcommittee said the Department is "closely monitoring...","guidelines are currently under revision...","regional office staff will conduct rhandom program review...".

In short the report is bureaucratic gobbledygook that in effect says we are not going to do anything positive or specific to save taxpayers funds as recommended by GAO nine months ago.

This looks like a classic "sweep it under the rug" operation. This Subcommittee should not acquiesce in such a "See no evil; hear no evil; operation.

The cut in Title X funds we recommend is fully justified by the GAO Report. With such bureaucratic foot dragging our recommended cut is the only way the taxpayers are going to get the benefit of the GAO recommended savings.

I call to your attention the following table of funds expended by DHHS over the period of 1972 to 1980 that was sent to my organization by then acting DHHS Deputy Assistant Secretary for Population Affairs, Elmer Peterson:

Federal Family Planning Services Funds 1972-1980

In Millions

	1972	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**
Title X—PHS Act	73.5	94.5	124.5	94.3	103.4	107.5	128.9	128.7	155.9
Title V—SSA Act*	35.2	35.2	35.2	30.0	25.0	25.0	25.0	25.0	25.0
Title XIX—SSA Act*	8.7	18.2	52.4	56.0	97.3	109.3	90.0	110.0	118.7
Title XX—SSA Act	18.5	38.9	34.5	43.2	52.0	58.0	64.8	64.0	73.7
Total	135.9	186.8	246.6	229.5	280.4	299.8	308.7	327.7	373.3

I call your attention to the fact that in just these four programs (there are additional DHHS programs that, in part, fund Family Planning Services) there has been a $237.4 million or 107% increase in Family Planning funding in just eight years.

In addition to a $48 million cut in Title X, to insure compliance with the intent of Section 1008 of the Title X authorization, we request the following bill language be added to the relevant part of the FY 83 Appropriation Bill:

> "Provided that no funds appropriated to carry out Title X of the Public Health Service Act may be used to perform abortions or to make grants or contracts with any entity that promotes, encourages, or counsels/refers patients for abortions or that include abortion as a method of family planning."

I call your attention to the attached memorandum on the Legislative History of Section 1008. Congressman Dingell, who offered this amendment, said in explanation of his prohibition of abortion amendment:

> "...the committee members clearly intend that abortion is not to be encouraged or promoted in any way through this legislation. Programs which include abortion as a method of family planning are not eligible for funds allocated through this act." (Congressional Record, 91st Congress, 2nd Session, p. H37375)

Gentlemen, nothing could be clearer: any organization that includes abortion as a method of Family Planning is not eligible for Title X funds. Our requested bill language is only a restatement of the intent of Section 1008 of the statute authorizing this program.

It would appear that this restatement of the original intent is necessary. The Planned Parenthood of Metropolitan Washington, D.C., organization, which we earlier noted had spent Federal funds on the "rubber disco," has also expended funds on full page advertising in the Washington Post and for a responder asking individuals to oppose any restrictions on abortions. Thus we have a Title X grantee advocating abortion as a means of family planning in contravention of the clearly-stated Congressional Intent.

Further, Faye Wattleton, President of Planned Parenthood Federation of America, wrote to the Comptroller General of the United States and stated "No Planned Parenthood affiliate or clinic promotes abortion with or without public funds;" (November 10, 1981). However, on February 26, 1982, the Executive Director of the Indianapolis Planned Parenthood Association stated "...while counsellors have a policy of encouraging minors to involve parents in a decision about abortion, they also will be prepared to assist those who do not want their parents informed..." Again we have Title X grantees promoting abortion as a method of family planning--and, in this case, threatening defiance of a state law to provide and refer for such abortions to minors without parental consent!

We consider these two incidents to be blatant examples of exactly the type of activities which were to be specifically excluded by the Congressional Intent.

In summary, we request a reduction in funding of at least $48 million (as justified by GAO Report HRD 81-68) to $75 million and the inclusion of language prohibiting the use of any of these funds by any organization that refers, counsels, promotes or advocates abortion as a method of family planning.

This will save money that is now being wasted and get the government out of the abortion advocacy business at least in part.

STATEMENT OF LESLIE TARR LAURIE

The National Family Planning and Reproductive Health Association, Inc. (NFPRHA) submits the following recommendations for fiscal year 1983 appropriations for the Title X (PHS Act) family planning program to the Committees on Appropriations of the United States Senate and House of Representatives:

1. Appropriate $143 million for programs under Title X: $139.2 million for service program grants and contracts; $3.2 million for training program grants and contracts; and $600,000 for the development of informational and educational materials.
2. Reject Administration efforts to place federal support for family planning services into a primary care block grant.
3. To assure the continued support of research into family planning service delivery and methods to improve service delivery, include the following language in the committee reports accompanying the appropriations bills for fiscal year 1983:

> "It is the intent of Congress that up to two percent of the funds available under Section 1001 be reserved to support projects of national significance in the improvement of services through research and assistance in the quality, efficiency and organization of such services and by special projects that demonstrate ways to involve families in the delivery of services."

My name is Leslie Tarr Laurie, and I am appearing before you today as Chairperson of the Public Affairs Committee and Immediate Past President of the Board of Directors of the National Family Planning and Reproductive Health Association, Inc. (NFPRHA). I also serve as the Executive Director of the Family Planning Council of Western Massachusetts, Inc. based in Northampton, Massachusetts, a position I have held since that organization's inception in 1973. It is my privilege to present to you today NFPRHA's statement regarding the subject of this hearing: fiscal year 1983 appropriations for family planning service programs under Title X of the Public Health Service Act.

The National Family Planning and Reproductive Health Association (NFPRHA) is a national non-profit membership association headquartered in Washington, D.C. established to improve and expand the delivery of family planning and reproductive health care services throughout the United States. Our members are committed to establishing and maintaining reproductive health care as a high priority preventive health care service in this country.

Title X is the primary voluntary family planning program funded by the federal government. More than half (55%) of all federal dollars for family planning services comes from Title X. The program's priority is to serve a population of approximately 10 million women at risk of unintended pregnancy, including 5 million adolescent women ages 15 to 19 and 5 million adult women ages 20 to 44 in families with incomes below 150 percent of poverty. In 1981, these funds and other federal funds helped provide services to approximately 4.5 million of the 10 million low-income women and teenagers in every county in the nation through 3,900 local programs and 5,100 individual clinic sites. Of that 4.5 million, 3 million were adult women and 1.5 million were teenagers.

Often, Title X programs are the only preventive health care programs available to low-income women and teenagers in a particular locale, and thus serve as the primary medical service for these individuals. Title X programs offer medical care and counseling services that include all birth planning methods, pap smear, breast exam, venereal disease screening, pregnancy counseling, contraceptive counseling, infertility counseling, routine lab work and pelvic exam. Referrals are offered for other necessary health and social services. Title X also provides counseling and educational programs. As the Title X clinics are literally the entry point for millions of women and their families into any kind of health care system, there is a unique public health value to the Title X program. This general good extends beyond individual patients served in the Title X clinics to a collective benefit for the public at large by upgrading the nation's general health.

For fiscal year 1981, the Congress appropriated $166 million for Title X programs, subsequently reduced through a rescission request to $162 million. Under the terms of P.L. 97-35, the Omnibus Budget Reconciliation Act of 1981, the Title X program was reauthorized for three years, through 1984, and its appropriations authorizations were reduced to $130 million in fiscal year 1982, $143 million in fiscal year 1983, and $155 million in fiscal year 1984.

During the appropriations process last year, every action of the Congress at the subcommittee, full committee, and floor levels recognized the need for the family planning program to be funded at the fully authorized level of $130 million. On October 6, while considering H.R. 4560, the regular fiscal year 1982 appropriations bill for the Departments of Labor, Health and Human Services, Education and Related Agencies, the House of Representatives overwhelmingly defeated an attempt to reduce funding for Title X below $130 million. Only upon the passage of P.L. 97-92 and P.L. 97-161, the third and fourth Continuing Resolutions for fiscal year 1982, did Congress reduce Title X funding, and that reduction was not directed at family planning programs specifically but at all discretionary programs generally.

Under the terms of P.L. 97-92 and P.L. 97-161, the final appropriations figure for Title X for fiscal year 1982 becomes $124.8 million; the proposed federal budget for fiscal year 1983 submitted by the President last February indicates that the Administration intends to spend approximately $123,658,000.

During the extraordinary circumstances surrounding the development of the fiscal year 1982 budget and the reconciliation process, the Congress recognized that family planning is a national need that transcends state, county and local borders. The Congress agreed with NFPRHA and other supporters of the family planning program that the high incidence of teenage sexual activity, of unplanned births, of adolescent pregnancy, of venereal disease, of abortions across the country all require a national effort to be brought under control. The Congress concurred that strong federal support and direction are required to assure that every person seeking family planning services receives high quality, comprehensive and competent care, no matter in what state or locality he or she resides. Thus, the Congress rejected the present Administration's efforts to repeal the Title X program and place federal family planning funding into a block grant by reauthorizing the Title X program as a categorical grant program and appropriating full funding for family planning for fiscal year 1982.

The National Family Planning and Reproductive Health Association strongly urges this subcommittee and the entire Congress to again reject the Administration's proposals which were re-submitted with the proposed fiscal year 1983 budget and to again approve the maximum allowable appropriation for the Title X family planning program. For fiscal year 1983, that maximum allowable level is $143 million. Such an appropriation level would place the funds available to the Title X program at a level of 11.7% below the funding level of two years ago during fiscal year 1981.

We fully understand and appreciate the economic climate and imperatives under which the Congress must make its fiscal year 1983 appropriations decisions. We are aware that all federal health programs received budget cuts last year, and that none will achieve funding at a level approaching that of fiscal year 1981. But at a time of economic uncertainty and hardship, the availability of subsidized family planning services is exceedingly important to low-income women. The costs to the federal, state and local governments associated with cutting back on this money-saving preventive health care program will serve only to hold back economic recovery. Thus, it makes economic sense to fund the Title X family planning program at the highest level possible, even if that level is an increase over last year's appropriation.

The Administration's arguments for placing federal support for family planning services into a primary care block grant are no more persuasive this year than they were last year. But the arguments for retaining Title X as a categorical grant program with sufficient and adequate funding are all the more impressive during a period of intense concern over federal budgets and assuring that only those programs which are cost-effective and serve those most in need of federal support are retained.

During its decade-long existence, Title X has proved to be one of the most effective and efficient federal health care programs ever devised by the federal government:

- Between 1968 and 1981, the annual number of patients enrolled in family planning clinics quintupled, from 863,000 to 4.5 million, while federal funding increased much more slowly.
- Nine in ten of these patients are of low or marginal income.
- A total of 5.4 million unintended pregnancies were averted in the 1970's as a result of the family planning program, including 2.3 million births and 2.5 million abortions (the remainder would have been miscarriages).
- Enrollment of teenage patients grew by seven times, from 214,000 in 1970 to 1.5 million in 1981.
- As a result, 2.6 million teenagers were enabled to prevent unintended pregnancies, including 944,000 births and 1.4 million abortions.
- For every federal or state dollar invested in the family planning program, at least two dollars is saved within the next year in government expenditures for health and welfare services; $570 million was saved in government expenditures in 1980 as a result of the $285 million invested by the federal and state governments in 1979.
- The savings from providing services to teenagers is even greater — three dollars saved for every dollar invested; $273 million was saved in 1980 as a result of $94 million invested in teenage family planning clinic services in 1979.
- Organized family planning programs have been an important factor in the increased use of the most effective contraceptive methods. Of women who were new patients in 1979, more than half had used no contraceptive method prior to enrollment; however, two-thirds chose oral contraceptives (the birth control pill) or an intrauterine device (IUD) at their last clinic visit. This improvement in contraceptive practice was most striking among teenage patients: about three-quarters of them chose the pill or IUD after their first clinic visit; prior to enrollment, an equal proportion had used no method.

Thus, it makes no sense — in economic, human or governmental terms — to reverse the progress made in the last decade in the area of family planning by repealing or inadequately funding the central national family planning program. A fiscal year 1983 funding level of $143 million for programs under Title X ($139.2 million for service program grants and contracts $3.2 million for training program grants and contracts, and $600,000 for the development of informational and educational materials) would signal the Congress' commitment to an important federal preventive health care program which is effective, cost-efficient, and of extraordinary national importance.

In order to assure that the family planning program continues to achieve significant progress, particularly in times of severe budgetary constraints, it is imperative that the Title X program support research into service delivery and methods to improve service delivery. Unfortunately, by eliminating the funding authorizations under Section 1004 of Title X, the Omnibus Budget Reconciliation Act appeared to eliminate the small amount ($2.5 million in fiscal year 1981) available to the Office for Family Planning to make grant awards for service delivery improvement projects, while formally establishing that financial support for research in population and human reproduction conducted by the Center for Population Research of the National Institute of Child Health and Human Development is to be drawn from the general National Institutes of Health authorization (sections 301 and 441 of the Public Health Service Act).

Currently, grant awards are funding programs in the following areas of service delivery improvement, among others:

0 patient flow analysis, which assists family planning clinics to more efficiently and effectively utilize their Title X funds;

0 demonstration projects to develop special programs to provide family planning services in rural communities;

0 demonstration projects to develop special efforts to assist political refugees surmount ethnic and language barriers to the receipt of family planning services;

0 family life and sexuality education projects;

0 demonstration projects to develop programs to assist the handicapped and the disabled receive family planning services; and

0 projects to collect and evaluate data regarding the provision and effectiveness of family planning services.

Among the current recipients of these grant awards are the Girls Club of America; the Salvation Army; the National Association of State Boards of Education; the National Urban League; Catholic Charities of Chicago; Johns Hopkins and Columbia Universities; the National Board, YWCA; and St. Joseph's Hospital and Health Center in Lancaster, Pennsylvania.

Last year, on December 10, during debate on the third Continuing Resolution for fiscal year 1982, Representative James H. Scheuer of New York and Representative Silvio O. Conte of Massachusetts engaged in a colloquy on the floor of the House of Representatives about the service delivery improvement research activities under Title X. A copy of that colloquy is attached to my testimony, and I request that it be included in the printed hearing record, Mr. Chairman, along with my testimony.

By engaging in this colloquy, Mr. Scheuer and Mr. Conte explicitly stated, as part of the legislative history of the 1982 appropriations for Title X, that it is Congress' intent that the Department of Health and Human Services continue to fund service delivery improvement projects conducted under the national family planning program during fiscal year 1982 and beyond utilizing a small portion of the monies appropriated under Section 1001 of Title X. Thus, no additional appropriations are required to fund these service delivery improvement activities.

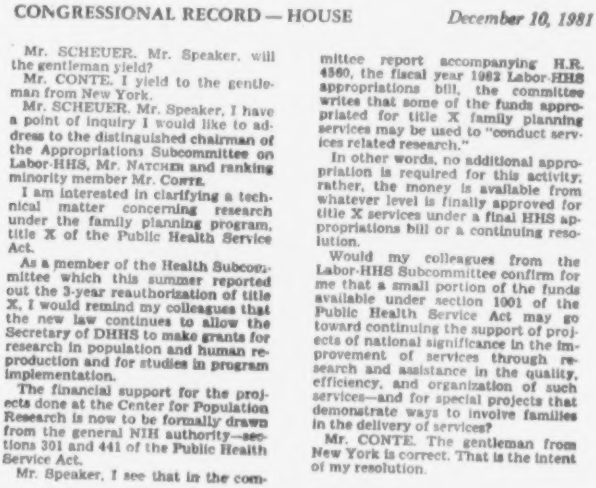
While it is unclear exactly how much money the Department of Health and Human Services has set aside for service delivery improvement projects during fiscal year 1982, the Department has indicated that it does intend to comply with Congressional intent as stated in the Scheuer/Conte colloquy by funding these types of projects during the current fiscal year. However, to ensure that the Department does, in fact, support service delivery improvement projects during fiscal years 1982 and 1983, NFPRHA urges that the committee reports on the fiscal year 1983 appropriations bills issued by both the House and Senate Appropriations Committees include the following language:

> "It is the intent of Congress that up to two percent of the funds available under Section 1001 be reserved to support projects of national significance in the improvement of services through research and assistance in the quality, efficiency and organization of such services and by special projects that demonstrate ways to involve families in the delivery of services."

By appropriating full funding of $143 million for Title X for fiscal year 1983 and by expressing its intent that service delivery improvement projects be continued, the Congress will take the exceedingly important step of signaling its strong support of the national family planning program to an Administration which, by its funding and program implementation recommendations and actions, has not appeared to recognize the importance of the family planning program to the members of the Congress and to the people who require and receive family planning services.

Mr. Chairman, the National Family Planning and Reproductive Health Association is most appreciative of the support the Congress, and this Subcommittee in particular, has evidenced for Title X in the past. We thank you for the opportunity to present our comments and recommendations to you today. If there is any further information which NFPRHA can supply to assist you in your deliberations, we would be most happy to provide it.

I would be pleased to respond to any questions the members of the Subcommittee might have.



CONGRESSIONAL RECORD — HOUSE *December 10, 1981*

Mr. SCHEUER. Mr. Speaker, will the gentleman yield?

Mr. CONTE. I yield to the gentleman from New York.

Mr. SCHEUER. Mr. Speaker, I have a point of inquiry I would like to address to the distinguished chairman of the Appropriations Subcommittee on Labor-HHS, Mr. NATCHER and ranking minority member Mr. CONTE.

I am interested in clarifying a technical matter concerning research under the family planning program, title X of the Public Health Service Act.

As a member of the Health Subcommittee which this summer reported out the 3-year reauthorization of title X, I would remind my colleagues that the new law continues to allow the Secretary of DHHS to make grants for research in population and human reproduction and for studies in program implementation.

The financial support for the projects done at the Center for Population Research is now to be formally drawn from the general NIH authority—sections 301 and 441 of the Public Health Service Act.

Mr. Speaker, I see that in the committee report accompanying H.R. 4560, the fiscal year 1982 Labor-HHS appropriations bill, the committee writes that some of the funds appropriated for title X family planning services may be used to "conduct services related research."

In other words, no additional appropriation is required for this activity; rather, the money is available from whatever level is finally approved for title X services under a final HHS appropriations bill or a continuing resolution.

Would my colleagues from the Labor-HHS Subcommittee confirm for me that a small portion of the funds available under section 1001 of the Public Health Service Act may go toward continuing the support of projects of national significance in the improvement of services through research and assistance in the quality, efficiency, and organization of such services—and for special projects that demonstrate ways to involve families in the delivery of services?

Mr. CONTE. The gentleman from New York is correct. That is the intent of my resolution.

STATEMENT OF DONALD S. BUZARD

Summary of Recommendations

FAMILY PLANNING SERVICES

Title X has a proven record of accomplishment in addressing the critical national goals of promoting health and lessening dependency through assisting the disadvantaged in avoiding unintended pregnancy. In 1979 alone, the national family planning program was directly responsible for preventing almost 800,000 unintended pregnancies, saving the American public $558 million.

By contrast, the administration's proposal for Title X is inconsistent with its highly publicized opposition to abortion and its apparent concern over welfare dependency. The current fiscal year's 25% cut in family planning funds has already born witness to a sharp reversal in the long established federal policy aimed toward preventing welfare dependency and the need for abortion. It is critical that restoration of funds begin immediately to mitigate the costs to individuals and to society at large brought about by the FY 1982 cutbacks.

Title X Funding

FY 1981:	$162 million
FY 1982:	$124.8 million
recommendation for FY 1983:	$143 million (reconciliation level)

POPULATION/HUMAN REPRODUCTION RESEARCH

Work at the Center for Population Research (CPR), housed at the National Institute for Child Health and Human Development, is integrally related to important family planning services issues. Careful examination of the safety of current contraceptive methods, and the development of new ones (expecially those suitable for teenagers) are of particular interest. These areas are funded primarily through contracts, so in the context of our overall budget recommendation for CPR, we urge that a minimum of $22.6 million be allocated for contracts. CPR'S two other branches conduct studies in basic reproductive sciences and social and behavioral research. Research on attitudes that lead to initiation of sexual activity in teens could be invaluable to the field of family practice. Support for CPR's work must be increased as an investment in the future of American families--and of families around the world.

Center for Population Research

FY 1981:	$82.9 million
FY 1982:	$87.5 million
recommendation for FY 1983:	$113 million

I am Donald Buzard, National Board Member of the Planned Parenthood of America. On behalf of Planned Parenthood's 188 community-based affiliates in 42 states and the District of Columbia, I am here today to urge your continued strong support for family planning services funding under Title X of the Public Health Service Act and for population/human reproduction research funding under the Center for Population Research of the National Institute of Child Health and Human Development.

Family Planning Services

In 1979 - one year alone - at least 800,000 low-income women and teenagers in the United States successfully averted pregnancies they did not want. Of those 800,000 women, 420,000 who would have sought abortions had they become pregnant did not have to do so. And $558 million in government funds for medical care, social services, welfare and public housing did not have to be spent. These accomplishments of only a single year were directly attributable to the "national family planning program" - a network of 5200 organized family planning clinics covering every U.S. county, for which Title X has been the core and major source of federal support for the last 12 years.

Planned Parenthood is proud that our community-based affiliates are part of that clinic network, which also comprises health departments, hospitals, health maintenance organizations and other health centers. Together, and with the help of government funds, we were able in 1979 to reach 4.5 million individuals (of whom Planned Parenthood affiliates served 27 percent), and we were able to provide them free or reduced cost, voluntary family planning services they otherwise would not have been able to obtain. These family planning services went far beyond the simple prescription of a contraceptive method, for the range of services in a family planning clinic includes a complete medical examination and vital screening for cervical and breast cancer, sickle cell anemia, hypertension and venereal diseases as well as counseling and education.

Planned Parenthood is proud to be part of a federally-supported program that has averted hundreds of thousands of unintended pregancies, not to mention the abortions that would have resulted from them, over the last decade--and to have done so at a signficant saving to the taxpayer. For every dollar invested by the government in family planning, a minimum of $2 is saved in the next year alone. For teenagers, the benefit-to-cost ratio is even higher: $2.90 is saved for every dollar invested the year before.

Mr. Chairman, the national family planning program is clearly working. In little more than a decade, it has made remarkable strides. Yet, for each of the 4.5 million individuals who was able to benefit from the national family planning program in 1979, there was at least one somewhere else who wanted and needed services but could not obtain them. There were 1.5 million abortions that year. There were 1.1 million teenage pregnancies. All of this was occurring even before most social programs, including Title X, were slashed last year by 25 percent while inflation persisted. Not only did Title X suffer a substantial loss of funds, but so did the Maternal and Child Health (MCH) and Title XX Social Services programs that previously were significant supplementary sources of federal family planning support.

Besides the actual reduction in federal appropriations, the conversion of these two programs into block grants resulted in 1) deleting the requirement under MCH that a minimum of 6 percent of the federal funds go toward family planning and 2) removing the incentive for states to support family planning with their social services funds by dropping the favorable 90 percent federal matching rate. Preliminary data already reveal the expected impact: about ten states plan to spend no money on family planning with their MCH funds this year, and about 20 states will do the same under Title XX. Indeed, it is possible that as these changes in federal policy take hold at the program level over the next few years, the overall loss experienced by the organized family planning program in certain states, if not nationally, may well exceed the cuts in the total federal allocation.

While it is still too early to adequately assess the full impact of last year's severe budget cuts (FY 1982 was half over before agencies receiving federal funds knew exactly how much money would be available to them), it is possible to speculate on some of the possible repercussions. DHHS estimates that more than 500,00 of those currently enrolled in the family planning program will be turned away outright. Aside from simply reducing caseloads, other methods for coping include raising patient fees (or instituting them, in some cases), reducing clinic hours, reducing staff, and narrowing the scope of services offered (probably cutting back outreach and community education, which are usually especially geared toward teenagers). These are just a few of the alternatives. Unfortunately, each of these moves us from the program's goal of removing all barriers to the receipt of comprehensive preventive reproductive health care.

The problems of inaccessibility to services and the unacceptably high incidence of abortion and teenage pregnancy were also severe enough before DHHS issued the proposed regulation that would require the parents of unemancipated minors to be notified in virtually all instances when the minors seek prescription contraceptives from Title X-supported clinic programs. Planned Parenthood is unalterably committed to protecting the confidentiality of our patients. For this reason, we vigorously oppose the DHHS proposal and, because of the even more stringent parental consent and notification requirements as well as the antiabortion provisions in the Adolescent Family Life Act, we regret that we must oppose that program as it is currently constructed--despite our commitment to the provision of necessary health and social services to pregnant adolescents and adolescent parents. We are also supportive of efforts to help teenagers delay the initiation of sexual activity, but the reality is that during the 1970s the number of teenagers who are sexually active grew by two-thirds, with the vast majority waiting nine months before coming to a family planning clinic to discuss contraception. The proposed Title X regulations do nothing to address the very real problem of reaching teens before sexual activity is initiated. Through our programs we can, and we will, continue to assist our patients in making responsible and informed decisions about sexuality and contraception.

DHHS and Planned Parenthood are in agreement about the need to reduce unintended teenage pregnancy, but the Department's approach not only contravenes the letter and spirit of the Title X law, but would likely deter some 25 percent of all minors currently enrolled in family planning clinics from using effective contraceptive methods, while virtually all would continue to be sexually active. The obvious result will be even more pregnancies, more out-of-wedlock births and more abortions. The financial cost would be great; the human cost incalculable. Moreover, imposing a new regulatory burden on agencies already under severe fiscal constraints will necessarily diminish their ability to effectively deliver basic services. Even so, I want to emphasize to this Subcommittee that as strongly as Planned Parenthood opposes any breach of our patients' privacy, we heartily endorse and have long been actively involved in efforts to truly foster better communication between parents and their teenagers on a voluntary basis. We call on the Department to withdraw this proposed rule and we pledge to work with the Department in developing programs and approaches that will truly encourage parents and teenagers to communicate, while not deterring anyone from seeking necessary services.

Population/Human Reproductive Research

While DHHS' primary argument for its proposed Title X regulation--that parents must be informed because of the health dangers to teens of prescription contraceptives--is unfounded (because the health risks of adolescent pregnancy, whether terminated by childbirth or abortion, outweigh by a five to one ratio the exceedingly minimal health risks of prescription contraceptive use), it is nonetheless true that research in human reproduction and contraceptive development is absolutely essential to mitigating, over the long term, current high rates of unintended pregnancy and recourse to abortion in the U.S. and around the world.

Despite the relative sophistication of current contraceptive technology, we cannot deny that all methods currently in use have some problems attached to them. In an imperfect world, that may always be the case. Most experts now believe that a single "perfect" contraceptive--one that would be perfectly safe, perfectly effective, inexpensive, easy to use, reversible, and fully acceptable to all individuals seeking to avoid pregnancy--is a long way from being developed, if it ever will be. But new and improved contraceptive methods must be developed--and they can be. As the Office of Technology Assessment notes in its newly-released report entitled, "World Population and Fertility Planning Technologies: The Next 20 Years": "Present contraception development programs may develop many useful new and improved contraceptives over the course of the next two decades if additional money is available. ...There is a strong need for improved contraceptive methods both in the United States and abroad. The potential impact is enormous in terms of improved family planning effectiveness, reduction in numbers of unwanted pregnancies and induced abortions, improved maternal and family health, alleviation of human suffering, and opportunities for economic progress. Without such added investments, emergence of many new contraception products is likely to be either prevented or very substantially delayed."

Research into the development of new contraceptive methods and evaluation of the safety of current contraceptive methods are two of the broad areas studied at the Center for Population Research (CPR), housed in the National Institute for Child Health and Human Development. For Fiscal year 1982, these contract programs comprise an estimated 9.5 percent and 7.4 percent, respectively, of CPR's total budget. The two major grant programs of CPR support basic biomedical research in the reproductive sciences (48.7 percent) and social and behavioral research (11.3 percent). One subject that thas been under investigation at the social and behavioral branch is the knowledge, attitude and practice of adolescents regarding initiation of sexual activity, contraceptive use, and the consequences of teenage pregnancy and childbearing. The information produced from this type of research is very important in helping us to understand and better design our programs to meet the needs of our teenage patients. We urge continuation of studies in this area at CPR, and note the new Adolescent Family Life Act also contains a research component, but its purpose appears to be duplicative of what is already underway at CPR.

At the same time, we urge that the Subcommittee look closely this year at CPR's two contract programs in new contraceptive development and contraceptive safety evaluation. In light of the Office of Technology Assessment report these two areas of CPR's work merit special attention.

Conclusion and Funding Recommendations

The present economic and political climate appropriately dictates that every program in the federal budget be carefully and critically scrutinized. At the same time, whatever the merits of reducing the size and role of the federal government, it cannot be denied that certain problems transcend state boundaries and deserve concerted and coordinated national attention.

The Title X family planning services program is designed to address an immediate and important national problem. Over the past 12 years, it has addressed that problem both effectively and cost-efficiently. The administration's proposal to repeal Title X and fold it into a block grant was vigorously debated and rejected only a year ago in favor of reauthorizing Title X as a categorical federal program. We fully expect it will be rejected again this year. We strongly urge you to approve the full amount allowable under last year's reconciliation act for Title X family planning services, $143 million, which would restore only about half of the cut the program sustained last year. Building the program up again, if completed over the short term, would help mitiage some of the damage done.

For population/human reproduction research, we recommend $113 million, including a minimum of $22.6 million for contracts to provide the necessary resources for CPR to pursue some promising leads in all areas and give a badly needed boost to contraceptive safety and development efforts. Over the long term, the work done at CPR could be of enormous and lasting value to individuals and families both in the United States and throughout the world.

CENTERS FOR DISEASE CONTROL PANEL

STATEMENTS OF:

RAYMOND R. SUSKIND, DIRECTOR, INSTITUTE OF ENVIRONMENTAL HEALTH, UNIVERSITY OF CINCINNATI, REPRESENTING THE ASSOCIATION OF UNIVERSITY PROGRAMS IN OCCUPATIONAL SAFETY AND HEALTH

ROBERT S. JACKSON, COMMISSIONER, SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL, REPRESENTING THE ASSOCIATION OF STATE AND TERRITORIAL HEALTH OFFICIALS

GERTRUDE ENGEL, REPRESENTATIVE, NATIONAL HEALTH FEDERATION

WENDY J. WERTHEIMER, DIRECTOR OF PUBLIC AND GOVERNMENT AFFAIRS, AMERICAN SOCIAL HEALTH ASSOCIATION

Senator BURDICK. Our third panel is on the Centers for Disease Control. We will hear testimony from the Association of University Programs in Occupational Health and Safety; the Association of State and Territorial Health Officials; the National Health Federation; and the American Social Health Association.

Your statements will be printed in the record in their entirety. You should adhere to the time limit. I think that you understand the lights now.

STATEMENT OF RAYMOND SUSKIND

Mr. SUSKIND. Chairman Burdick, I am Dr. Raymond Suskind, chairman of the Association of University Programs on Occupational Health and Safety. I sincerely appreciate the opportunity to come before this committee on behalf of occupational health and safety training and its inseparable counterpart, occupational health research.

More than a year ago the academic centers for occupational health training brought to your attention the need for maintaining a strong national resource for educating scientists and professionals to study, to understand and to control the health hazards in the workplace. We demonstrated that a healthy work force was essential to maintaining a high level of industrial and agricultural productivity, and that there is a severe manpower deficit in the occupational health disciplines which fulfill that responsibility.

This subcommittee recommended restoration of funds for the support of the educational resource center training programs in the occupational health disciplines, medicine, nursing, hygiene, and safety. In the fiscal year 1982 continuing resolution it provided funds for these centers at a reduced level.

The investment in these centers has been and will continue to be a productive and cost-effective investment in the vitality of American industry and the health and safety of the American worker. The impact of the ERC, the Educational Resource Centers, on the number of professionals in full-time training has been very dramatic. A few figures are worth quoting.

In occupational medicine there were 32 physicians in training in 1977. In 1981 there were 119. In nursing there were 13 full-time students in 1977. In 1981 there were 90. In industrial hygiene there were 30 full-time trainees in 1969. In 1981 there were 846. The continuing education figures are quantitatively even more impressive, but despite the impact of the educational resource centers on manpower and development, significant shortages still exist. Even if the trainees would be maintained at the 1980–81 level, it will be many years before the needs for these professionals and scientists can be met adequately.

I am submitting a series of graphs to show this. A report on the assessment of the supply and demand in the occupational safety and health work force by NIOSH itself demonstrates that the output of graduates in the full-time training programs account for only 14.7 percent of the Nation's current occupational health manpower requirement. I am submitting a copy of this assessment.

Most of the increases in the trainees are accounted for, as I indicated, by the programs offered by the ERC's. Through the efforts of this subcommittee and the equivalent subcommittee of the House, the urgently needed training programs on occupational safety and health have been kept alive. The fiscal year 1981 rescission appropriation plus the unencumbered reserve funds from previous years allow the ERC's to maintain a respectable roster of students. The reduction in funding, however, required retrenchment in some programs and the admission of few students, and in some instances, the termination of programs for which support was not available. The faculties in some centers had to be reduced.

Although the fiscal year 1982 allocation of $5.76 million for the ERC program will prevent the termination of most of the centers, they will be operating at a severely reduced level and all will have difficulty keeping faculty and students at the level consistent with the national need.

Last year we believed that the training programs could be collectively supported by Federal Government and university resources and industries themselves. One year later we find that most universities are in severe financial straits. The State of Ohio, for example, the State-supported universities have experienced three successive years of cuts and the fiscal year 1983 cut will be the most severe. Private universities are no better off. In the private sector some industries which have, in the past, supported occupational health education find themselves in economic difficulty. A number have discontinued such support.

I would like to just take 1 minute to indicate what we are recommending in the way of funding, if I may, sir.

Senator BURDICK. Your time is up. Can you do it in 30 seconds?

Mr. SUSKIND. All right. We recommend that a viable level of support will require an appropriation for this training program of at least $13 million. We are also recommending that the research budget on which training really depends, which has been decreased from $76 to $48 million, be restored to the level of $65 million, and that $10 million of these moneys be designated for extramural research.

Finally, while the universities face formidable problems if such support programs are discontinued or eliminated, in the final analysis, sir, it will be the industries themselves and the productive work force of these industries which truly suffer the loss.

Thank you very much for your attention.

Senator BURDICK. Thank you.

The next witness?

STATEMENT OF GERTRUDE ENGEL

Ms. ENGEL. Mr. Chairman and the illustrious members of the committee, my name is Gertrude Engel, I am a health advocate for the National Health Federation and also for Health Victory Group. I have come here today to gladden your hearts, to tell you—can you imagine a woman coming to a man and asking for no money?

We need you, but not the money. You did something remarkable. We are very grateful, we love you, and we think it is marvelous that you are saving the lives of many people in the country from getting cancer by putting the fluoride program under a block grant program. Now it is up to local communities and the States to go forth with the program.

Secretary Schweiker informed us through their budget director that no money has been allocated for 1983 to fluoridate the water, and we are pleased with that because we think it is very important.

I want your permission, because of the troubles I have had, not only personal problems with a husband who has suffered his seventh cancer operation and my traveling around the States to be a health advocate for many other problems that have been confronted with, I want your permission, if you don't mind, that I can give you a statement that I have on new evidence regarding fluoride and what is wrong with it. In this way I think that if I can have your permission to do that, I would very much appreciate it, if that is at all possible, sir.

I have not been able to get my statement, but I have new evidence that I have given to you last year and the year before. I have more of it this year, and I need a little more time to do it, to get it into the record.

Senator BURDICK. The record will be closed May 7.

Ms. ENGEL. I will have it ready for you, sir. I will work on it in the next couple of days.

Senator BURDICK. We will receive it either for the record or the file—depending.

Ms. Engel. I will have it ready for May 7, and I thank you very much.

Senator BURDICK. Next witness.

STATEMENT OF ROBERT S. JACKSON

Dr. JACKSON. I am a physician and commissioner of the Health Department of the State of South Carolina. I am here today representing the National Association of State Health Officers, known as ASTHO. And I came to address the general matter of the budget for the Centers for Disease Control.

For years prior to the institution of New Federalism, the Center for Disease Control has been operating in a manner entirely consistent with that concept. It has provided technical assistance and financial assistance to the States, working under the assumption that it was the States' primary responsibility and that they were there to support that effort.

As a result, in the last year and a half with the formal adoption of New Federalism, CDC was already here in indent posture and therefore was in an appropriate role to continue its relation with the States.

Inherent in the concept of passing responsibility to the States is the necessity for certain things to continue at the national level which are inappropriate to duplicate in 50 States. That is the condition that the States view and ASTHO views CDC's role to be.

And therefore to count the kinds of activities that the center is involved in is in our view extremely shortsighted and is somewhat inconsistent with the effort to shift responsibilities to the States.

Anything that results in 50 States operating independent programs is obviously going to produce sort of a mosaic of independent, individual, and somewhat different efforts.

But there are certain bottom-like basics that are in the national interest that CDC is in the best position to assist the States in doing. It also has an international mission which we view as very critical: We all live in some fear of the possibility of some of the more serious and exotic diseases of the world finding their way to our country. CDC is the one organization that retains a certain amount of ability to control and/or impede such events from occurring, and we would hate to see in the interest of budget cuts our one national resource for the kind of laboratory assistance, the kind of direct control effort that would be necessary in the event of any kind of international biological disaster—that we would hate to see that resource lost.

Adequate and adequately secured laboratory facilities are critical, the States cannot afford to each develop individually the ability to do the kind of exotic laboratory testing that CDC has the capacity to do and needs to maintain. The States cannot afford to each individually duplicate the equipment and facilities which may not be required in any given year, but when they are required are critical. I would refer you back to several years ago to the Legionnaire's epidemic that occurred and how rapidly CDC was able to mobilize the kind of laboratory resources that solved that dilemma.

The other major concern that we have is that CDC is the primary agency of the Federal Government working with the States to implement those prevention concepts that we now have knowledge of.

The Reagan administration has consistently provided growing support to traditional medical research and has given substantive lipservice to the importance of implementing prevention techniques for those preventive things that we already know. But they have provided very little resources, and CDC is the primary arm of Government for instituting those prevention techniques.

Many surprising achievements have been documented in China, where we all think of them as being fairly backward, but they in fact have in the last 15 years achieved birth and death rates comparable to ours. And are continuing to move in that direction, primarily through the implementation of these prevention techniques.

One-third of cancer is in a higher percentage and other mortal illnesses and disabilities could be prevented with existing facilities if the resources were provided.

CDC is the place that works with the States to provide those.

Cancer and specific areas where we want to see support sustained are in the area of immunization. The administration has recommended $20 million. We would like to see $32 million put in that area. I might add that my written testimony has an error in that, but I will get that corrected.

The Preventive Health Services Block Grant is the primary source of funds to the States that has the flexibility to meet our prevention commitments. We would hate to see that moved to the Office of the Assistant Secretary for Health, which is currently proposed.

We want to see support continued for the tuberculosis program, for the venereal disease program. We want to see Congress specify that the National Public Health Program Reporting System be the national system to provide the data and accountability under the block grants.

And finally, we want to be sure that CDC has the technical resources necessary to assist the States under the New Federalism proposals.

I thank you and will be happy to respond to any questions you have.

STATEMENT OF WENDY J. WERTHEIMER

Ms. WERTHEIMER. Mr. Chairman, I'm Wendy Wertheimer, director of public policy of the American Social Health Association, which is the only national nonprofit agency fully dedicated to the eradication of venereal disease.

I would like to just give you some statistics to start with—give you an idea of the magnitude and the scope of the epidemic we now face: More babies will die this year from venereal disease than deaths by toxic shock syndrome and Legionnaire's disease combined. More babies will be affected by venereal disease this year than there were children affected by polio during the entire polio epidemic.

One out of every seven teenagers will be infected with a venereal disease this year; that is, for every one pregnant teenager there will be at least three who get venereal disease. Gonorrhea is the most commonly reported venereal disease. But we now know that at least three times the cases of gonorrhea is causing sterility in men and women and killing babies.

More than 20 million Americans have herpes, an incurable, painful, rapidly spreading epidemic. There is an incredible rise in ectopic pregnancies which, as you know, cause the death of the fetus and is very serious for the mother.

Half of these ectopic pregnancies are directly attributable to venereal disease. More than 110,000 women of childbearing age will be sterilized this year by VD. Fifty thousand of those women are under the age of 25.

It is impossible for me to imagine anyone who can sit by calmly and look at the scope of this problem. Babies are being killed or damaged severely by herpes. Babies are dying from syphilis—they are being destroyed by ectopic pregnancies and they are dying from clamidia.

The epidemic of neonatal deaths and fetal deaths is alarming in itself, aside from the fact that one out of every four Americans between the age of 15 and 55 is infected with venereal disease.

As you know, as I have said in years past, when Federal funding or venereal disease control arises, incidence decreases and vice versa. When money goes down, incidence goes up. Never has that been more plainly evident than this year.

The CDC has announced that there is a 20- to 33.4-percent increase in syphilis. Although congenital syphilis cases were at their lowest point in 1978, there is now a 59.4-percent increase in syphilis in babies.

There is a 600-percent increase in penicillin-resistant gonorrhea. There is a 900-percent increase in genital herpes, and what is most alarming—what is also alarming—is that there is now an outbreak of a disease called chancroid, which you may remember from your military days when you were warned of chancroid in the jungles and in tropical parts of the world.

We have rarely seen chancroid in this country; we now have the greatest number of cases of chancroid ever seen. And it is not under control and is moving rapidly across the country from California.

The level of funding for the VD program has forced the program to make impossible human tradeoffs. Are we willing to live with a syphilitic baby or herpes or sterile women?

The choice has been made to invest almost all the money in control of gonorrhea to prevent sterility, and as a result a lot of these other diseases are going crazy.

Last year the House provided full funding for the VD program. This committee cut the program back by about $9 million. The program has protected the viability of its State programs by providing short-cycle funds.

If the program is not restored to at least its former level, one-third of the field staff will have to be fired, and I will be sitting here next year telling you not that 30 million people have venereal disease, but that 60 million have venereal disease.

The VD epidemic has been fueled by indifference and institutionalized neglect and the pittance studies accorded to this program. It is really to me unconscionable. It is not like other health programs, everyone of which is having to live with the current budget crisis.

Thus this is a different issue, because we are now talking about diseases that are spreading.

The problem is never going to get better and it is only going to get worse, unless this committee provides the incentive and the leadership to do something about it.

And I urge you to provide full funding of this program, as well as a supplemental in 1982 to restore it to the level that it was in 1981.

Thank you.

QUESTIONS

Senator BURDICK. As I understand it, in fiscal year 1981, do you know, the venereal disease grant was $40 million, and in 1982 it went to $31 million and now it is back up to $40 million.

Is that what you understand?

Ms. WERTHEIMER. No; it is still $31 million. There are two pots of money.

Senator BURDICK. The 1983 budget says $49 million.

Ms. WERTHEIMER. The President's request is $40 million, but in 1982 there is a shortfall of $9 million. But if there is—if the plan to freeze domestic spending takes place and there is not the flexibility to ask at least what the President requested then it will be a tragedy.

Senator BURDICK. Well, I have one question: You can all answer it or some: How can we do a better job of vaccinating high-risk populations such as the elderly and those with preexisting ailments such as influenza?

Ms. JACKSON. Is your question, how do we do a better job delivering the influenza vaccine to high-risk populations, or is it how do we do a better job in general of delivering vaccines to hard-to-reach target groups?

Senator BURDICK. I don't know. How do we do a better job of vaccinating high-risk populations, such as the elderly?

Ms. JACKSON. Well, the elderly are really only at great risk to influenza and to pneumonia, both of which have vaccines. Pneumoccocola—pneumonia—has a vaccine and influenza has its annual changing vaccine.

In many of the elderly, of course, they are available as a somewhat captive population in that they reside in nursing homes, and that has occasionally been a very highly successful vaccinated group.

The elderly as a group—particularly those who are mobile and retired—are far more elusive and far more difficult to reach. But they do all receive care through the medicare program, and I suspect that some effort through that program could be successful.

But ironically in the past they have not funded payment for preventive vaccines of that nature and therefore that avenue was not being taken advantage of.

Ms. ENGEL. May I say something about the medicare program and what happened here last week with Consumer Awareness Week? It was an unfortunate thing that happened.

You know, we spread all of the literature around to various agencies up on the Mall—the Health and Human Services program. And you know not one person—and I watched them as they came in, very few did because of the storm and the rainy weather—and here we had all of the pamphlets and everything else.

Very few people read anything today. We talk about education—the best form of education is through television programs where they see it, where it is portrayed. And do it quickly and get it over with because you will never reach these people.

It is very difficult, I have tried it myself. I find one-on-one visiting, organization speaking directly with the people—they want to hear you, they do not want to read about it.

And I find that seems to be a great answer to bringing people into a dilemma: Showing what they're suffering from and what they will suffer from. And on this medicaid program—the various things.

My husband just got through with an operation. Would you believe what the doctor handed him? A $4,000 bill for 1 week. Operation and hospital care—a seventh cancer operation. So you see. It is running away with all of us. And we have to do something about that.

Senator BURDICK. We are all trying.

Ms. ENGEL. I know you are. You're great.

Senator BURDICK. Thank you very much.

[The statements follow:]

STATEMENT OF GERTRUDE ENGEL

Mr. Chairman and the illustrious members of the Appropriations Committee. Thank you sincerely for this honor and privilege. My name is Gertrude Engel. I am the health advocate for the National Health Federation and Arlin Brown's Health Victory Group.

An update of the fluoridation status is herewith presented incidental to the FY 1983 budget.

Our dispatches contain the following remarks:

Health and Human Services Richard Schweiker, U. S. Congressman William Natcher from Kentucky, chairman of the House Appropriations Subcommittee, and New Mexico's Senator Harrison Schmitt, chairman of Labor-HHS-Education Appropriations Subcommittee, Senate subcommittee clerk, Gar Kaganowich, House staff assistant Bettilou Taylor, deserve our kindness accolade plus praises for their understanding and wisdom.

"Water fluoridation is hardly a fountain-spring of health superiority."

My 1980, 1981, scientific research in oral presentations before the committee was graciously accepted. Fluoride is a cancer causing substance. Upon Secretary Schweiker's request, I submitted our findings.

He conveyed them to the Centers for Disease Control in Atlanta, Georgia. We were subsequently informed that fluoridation would take a new direction.

And indeed it has! The drinking water fluoridation issue is now under a block grant program. Individual states and local communities will assume responsibility for managing the program.

In my discussion with CDC Director Dr. William Foege, he informed me that CDC relinquished their authority of the fluoridation issue. He said, "At one time 39 states asked for guidelines and then it dwindled down to 23 states, and the matter is now placed with the department of Health and Human Services."

The latest development with the HHS budget bureau, "No money has been allocated for the FY 1983 budget."

Hence, we believe that this approach will save many humans from dreadful cancer and other diseases.

What is water fluoridation?

It is the controlled adjustment of a water supply for a concentration of about one part of the fluoride ion in a million parts of water or 1/10,000 of one percent fluorides in water.

The fluoride ion is a chemical element that occurs in the environment of man, in soil, vegetation and water. Trace amounts are present in air. Fluoride is found in varied amounts in nearly all regions of the entire world. Nearly all food items contain some fluoride. To totally avoid intake of fluoride in food, you literally would have to starve to death.

Fluoridation does not effect the taste, the odor or the color of water in its use for any cosmetic or industrial purposes. Hardness of the water has no effect. One hundred five million people in America drink fluoridated water. How unfortunate!

Flourine (in the form of fluoride) is classified by the National Academy of Sciences as an essential trace element which can be toxic in excessive quantities. At high concentration, fluoride has been used as a poison for insects and rodents.

The Food and Drug Administration admits that fluoride is not listed on the Generally Recognized as Safe (GRAS) list. It is a toxic material. It is a regulated food additive and must have clearance for dosage and is subject to safety and usage information.

Fluoride is still classified as a schedule "A" poison in the State of California.

In March, 1982 a public relations release was issued with the following message.

"The Honorable Circuit Court Judge Ronald Niemann, Alton, Illinois February 26, 1982, ruled that the Illinois mandatory fluoridation law (1968) is now unconstitutional because the new preponderance of evidence submitted to the court shows that public water fluoridation may be hazardous to human health at any level and has Ordered and Decreed that State of Illinois to cease all water fluoridation."

As the controversy over water fluoridation continues, Albert Burgstahler, Ph.D. Professor of Chemistry at the University of Kansas documents, "Persons in poor health and those who have allergy, asthma, kidney disease, diabetes, gastric ulcer, low thyroid function, and deficient nutrition are especially susceptible to the toxic effects of fluoride in drinking water. In addition, fluoride in beverages (especially tea) food, air, drugs, tobacco, toothpaste and mouth rinses can also precipitate or contribute to such intoxication.

In 1958, the Association of American Physicians and Surgeons (AAPS) adopted the following resolution and it has been re-affirmed each year since its adoption. (Courtesy of Ethel Fabian,National Fluoridation News).

WHEREAS, the right to determine what shall be done to one's own body is fundamental, and
WHEREAS, water is necessary for life and
WHEREAS, many people are dependent on public supplies for water,
THEREFORE, BE IT RESOLVED that the Association of American Physicians and Surgeons, Inc., assembled in San Francisco, California this 12th day of April, 1958 condemns the addition of any substance to public water supplies for the purpose of affecting the bodies or the bodily or mental functions of the consumers.
AND BE IT FURTHER RESOLVED that copies of the resolution be transmitted to the President of the United States, the members of Congress, the Governors of the several states, and the mayors of our principal cities, and released to the media of public information.

Hundreds of small community water systems must meet federal defluoridation requirements. The new law extends the deadline for meeting the Environmental Protection Agency's regulations from January 1981 to January 1984. EPA's National Interim Primary Drinking Water Regulations classify fluoride as a contaminant and health hazard when found occurring naturally at twice the optimum level.

Fluoride Spills from the "Voice of the People" Morning Sentinel, Saturday, January 23, 1982 submitted by Andrew Craig, Sr., "A fluoride overfeed took place at the Jonesboro Elementary School on October 6, 1981. The report states that 57 individuals were transported to the Down East Hospital and 38 were treated for suspected fluoride overdose.

According to the Pharmacological Basis for Therapeutics, Goodman and Gilman (1975), in children, as little as one-half gram or 500 milligrams of sodium fluoride can be lethal. As little as 16 mg of sodium fluoride which yields 7 mg of the fluoride ion can produce nausea.

On November 30, 1981 parents of the school voted 45 to 3 not to resume the fluoridation of the school's water supply.

Mr. Craig continued, "I have a list of a dozen fluoride spills that have happened over the last few years that have resulted in damage to the environment, adverse health effects, or death. April 16, 1974, Stanley County, North Carolina, where 201 school children and 12 adults were poisoned, and the November 17, 1978, fluoride spill at Los Lunas, N. M., where 34 children were treated for abdominal pain, nausea, vomiting, diarrhea, twitching, and excessive salivation."

April 13, 1982 fluoride was discontinued in seven schools in the State of Maine.

New York Times, January 16, 1982,"Scientific evidence that fluoridation is indeed detrimental to human health, including a cancer/fluoridation link, has been attested in courts. No medical expert has ever claimed fluoridation to be safe when testifying under oath and subject to cross-examination."

Excerpt from Dean Burk, Ph.D., retired after 35 years with the National Cancer Institute. April 23, 1982.

"The same medical and epidemiological development has now taken place with respect to the demonstration in recent years (3,4) of the greatly increased human cancer mortality produced by the artificial fluoridation of public drinking water supplies, representing a twentieth century form of social mass murder. This now inexcusable and unpardonable form of social mass murder is widely supported and encouraged by many governmental, health, and dental organizations throughout the world, even in the face of the overwhelming evidence of the harmful and lethal effects of such fluoridation, and in the face of the Pasteur-Lister-Holmes type of due warning, as well as by many more modern similar examples (e.g. thalonamide)."

Dr. Arthur Furman, P.A., Brandywine, Maryland said, "In my opinion as a practicing dentist for over 25 years, fluoride should not be used in the public water supplies. It is wrong and unfair to require pregnant women or anyone to ingest this fluoride with the very real possiblity of fluoride causing birth deformities. Cavities, careies, dental decay is a disease of choice. You can control them by life style and dietary changes. The fluoridation of water is not a legitimate public health project. The very real potential for harm exists."

Dr. Robert J. H. Mick, Laurel Springs, N. J. is to be commended for his 17 years of documented research study wherein he exposes the dangers of fluoride. He refuses to adhere to what some organizations say, "to oppose fluoridation openly is political suicide." Excerpt from an article, "The side effects, poor growth, malformed teeth, and permanent body injuries as were produced in our laboratory animals do not seem to warrant the use of fluorides in the drinking water of animals or humans."

Eternal blessings and God's constant care for your health.

STATEMENT OF ROBERT S. JACKSON

I am Robert S. Jackson, M.D. I am Commissioner of Health and Environmental Control for the State of South Carolina and I am here today as spokesman for the national organization of state health officers, the Association of State and Territorial Health Officials.

For years prior to the institution of "New Federalism" the Center for Disease Control has been operating in a manner entirely consistent with that concept. As a result, with that policy's formal adoption, CDC was in the appropriate posture with the appropriate role and relationship with the states already in place.

New Federalism places primary responsibility on the states to operate and sustain appropriate levels of services to their citizens. The mosaic of individual efforts thus created has and will continue to have certain and specific areas of need for federal assistance both technical and financial. This is most especially true for interstate epidemic control, microbiological and chemical laboratory support and in the provision of the fundamental scientific base essential to maintenance of the prevention and control of disease. In the international areas, clearly, investigation of diseases which are not occurring in the U.S. is essential to the development of the capacity to prevent their spread to the U.S. or to control them should they come.

Inherent in CDC's national mission is the even more fundamental responsibility to keep in place the scientific technical and personnel resources which would serve as the basic defense in the event of any natural or man-made biological or chemical threat to the civilian population. Maintenance of adequate and adequately secure laboratory facilities and equipment is clearly essential.

In the recent rush to deemphasize the federal role and resource demand CDC has been cut when it was, in fact, performing its appropriate role in a universally accepted role with respect to the states. These cuts have come as a part of the effort to cut the agencies which were inappropriately interfering with the appropriate role of the states. This unfortunate side-effect of an otherwise laudable effort has resulted in an erosion in equipment and skilled personnel essential to the fulfillment of CDC's responsibilities as well as the needs for successful achievement of "new federalism" goals whether they be modestly or substantially achieved elsewhere.

Enormous lipservice but insubstantial resources have been given to the implementation of existing prevention techniques. Many surprising achievements are being documented in China and in other parts of the world. Many have, in a few short years of effort, achieved birth and death rates comparable to ours and are about to surpass us in many areas. One third of cancers and a higher percentage of other mortal illnesses and disabilities could be prevented with existing tools if the resources were provided. Yet we continue to sustain support for research into the unknown causes and cures of diseases while failing to provide adequate resources for the implementation of those that we already have. This is folly. CDC has been and remains committed to the assistance of states and the prevention oriented leadership in that national challenge.

There are a number of specific areas in which the states would recommend that funding be continued or increased to meet these essential national obligations.

(1) Immunization levels have been substantially improved in recent years. We have witnessed in the last few years the worldwide eradication of small pox. We are close to achieving successful control over measles. There are still however 3-4 million children who are inadequately immunized against the most serious of the childhood illnesses and perhaps 13 million who have not received mumps vaccine. 5.5 million children per year have received the immunizations through CDC supported activities. The 25% increase in the cost of vaccines for this year and the compelling need to achieve full immunization for our children in order to prevent all illnesses for which effective immunization exists, make it compelling that you increase the level of support for childhood immunization above the $29 million recommended by the President. Our recommendation is at least $32 million.

(2) The Preventive Health and Health Services Block Grant is the primary opportunity for enabling us to meet our prevention commitments. It has the flexibility and the clear goal to give adequate support for the implementation of known prevention techniques and terribly cost effective services. This grant needs to be restored to its authorized level of 96.5 million. At that level it will still represent the most cost effective investment among the block grants.

(3) The handing back to the states of the responsibilities inherent in the block grants and the new federalism concept makes it absolutely essential that there be in place an accounting system for block grant expenditures which is mutually acceptable to congress, the administration and the states. It needs to be simple, it needs to provide consistent data and it needs to be flexible enough to change as we adjust to the changing responsibilities and needs. 314D (now prevention block) funds have been used in the past to support the National Public Health Program Reporting System (NPHPRS) which we feel has the best potential to provide for the above needs. OMB held up the funds this year for six months and has forsworn any future support. ASTHO feels this is a shortsighted and unwise decision and urges congress to specify support for the NPHPRS accounting system. This reporting is not viewed as burden to the states as we feel the information is essential.

(4) Tuberculosis control is a critical national and state responsibility. The interstate aspects of control, the recent problem with refugees and CDC's traditional demonstrable success at coordinating control efforts make it highly

desirable that at least the authorized categorical funds slightly in excess of 9 million be appropriated. The states will still be providing the overwhelming majority of the resources for this effort but tuberculosis cannot be allowed to again become the critical problem it has been in the past. Recent evidence indicates an increase in the dread disease.

(5) Venereal or Sexually Transmitted Diseases are slipping ever nearer to being totally out of control. State resources are being exhausted as we shift ever more into acute disease and are unable to keep up. In the past several decades morbidity from Venereal Diseases have declined or risen in direct but inverse proportion to the CDC appropriation for VD Control. New research and control methods must be developed for the newer sexually transmitted diseases such as Herpes. We urge you to increase support to this vital area by at least the amount that has been cut for 1983 - 1.7 million.

(6) We feel that the move of the Preventive Health and Health Service Block from CDC to the Office of the Assistant Secretary for Health is a serious error. It is being sold as a purely "administrative move" but it takes the responsibility away from the established experts with whom the states are comfortable and in whom we have substantial confidence. We feel it is wrong and would urge you to leave the prevention responsibilities where it can best be utilized - at CDC.

(7) ASTHO is vitally concerned that CDC be provided with adequate resources to maintain its technical and consultative expertize. In many areas it is not cost effective for states to duplicate the kinds of expertise CDC can provide. Equipment and facilities must be maintained and kept current as must the experienced investigative and technical assistance personnel with highly specialized skills in prevention research and implementation. These skills in laboratory technique, in statistics, in epidemiology and in occupational and environmental risk assessment are critical and cannot and should not be duplicated in the 50 states. The capacity of CDC to investigate and research highly unusual infections (Legionnaires disease, Lassa fever, Hemorrahagic fevers) is essential for the protection of our national health.

ASTHO RECOMMENDATIONS
SUMMARY

1. Childhood Immunization - Our recommendation is an appropriation of $30 million. National immunization levels have been substantially improved with 5.5 million children annually receiving immunizations through CDC supported activities. Still, 3-4 million children are inadequately immunized against the most serious of childhood illnesses and some 13 million have not received mumps vaccine.
2. Preventive Health and Health Services Block Grant - This grant needs to be restored to its authorized level of $96.5 million. It is the primary source of funding for the implementation of known prevention techniques and cost

effective services and represents the most cost-effective investment among the block grants.

3. Accounting System for Block Grant Expenditures - The National Public Health Program Reporting System (NPHPRS) will provide an essential accounting system for block grant expenditures. We urge Congress to specify support for the NPHPRS accounting system which we believe will be mutually acceptable to congress, the administration and the states.

4. Tuberculosis Control - Tuberculosis cannot be allowed to again become the critical problem it has been in the past. The interstate aspects of control, the recent problem with refugees and CDC's demonstrable success at coordinating control efforts make it highly desirable to appropriate at least the authorized categorical funds slightly in excess of $9 million.

5. Venereal Diseases - We urge you to increase support to this vital area by at least $1.7 million. These diseases are approaching being totally out of control. Morbidity from Venereal Diseases fluxuates in proportion to the CDC appropriation for VD Control. New research and control methods must be developed for the new sexually transmitted diseases such as Herpes.

6. The prevention responsibilities of the Prevention Health and Health Service Block should remain where it can best be utilized with the established experts at CDC. The states are most comfortable with the responsibility remaining with those in whom we have substantial confidence.

7. ASTHO is vitally concerned that CDC be provided with adequate resources to maintain its technical and consultative expertise. It is not cost effective for states to duplicate CDC expertise in these areas that must be maintained and kept current. They are equipment, facilities and experienced investigative and technical assistance personnel with highly specialized skills in prevention research and implementation.

STATEMENT OF WENDY J. WERTHEIMER

SUMMARY OF RECOMMENDATIONS

1. The American Social Health Association recommends the Committee provide a supplemental appropriation for fiscal year 1982 for $9 million for the venereal disease prevention and control program.

2. We recommend the Committee fully fund the VD control program for fiscal year 1983. The authorized level for project grants to the states is $46.5 million. We recommend in addition $10 million in direct operations budget to permit the program to provide public education about the risks of venereal diseases, and to maintain its ongoing in-house research.

On behalf of the Board of Directors of the American Social Health Association, the only national non-profit health organization solely dedicated to the prevention, control and eventual eradication of venereal diseases, I thank the Subcommittee for this opportunity to present testimony on the Fiscal Year 1983 Appropriations Bill.

The American Social Health Association celebrates its 70th anniversary this year, and provides the following programs and services: The Venereal Diseases Research Fund, which provides postdoctoral research training fellowships for sexually transmitted disease investigation; the VD National Hotline, which last year provided toll-free 24-hour venereal disease information and referral to more than 120,000 callers; the Herpes Resource Center, the only program in the nation providing information and support to the millions of sufferers of herpes virus infections; and professional and public information and education programs.

Mr. Chairman, never in the history of this nation have venereal diseases posed a greater threat to the health and well-being of Americans -- particularly young people and newborn infants. These diseases are not just epidemic, but hyperendemic in all strata of society, and the consequences of these diseases are frightening.

Please consider just some of the statistics attesting to the magnitude of the venereal disease problem:

- At least one out of every 7 teenagers will contract a venereal disease this year. For every one teenager who will become pregnant this year, at least 3 teenagers will get VD
- More babies will be affected this year by a venereal disease than children affected by polio during the entire polio epidemic
- This year more than 110,000 women will be left pathologically sterile by VD, 50,000 of those women under the age of 25
- Venereal diseases are estimated to cost no less than $2 billion annually, with substantial loss of work productivity and missed school days
- Penicillin-resistant gonorrhea has increased six-fold in the past three years
- Although more cases of gonorrhea are reported each year than all other reportable diseases added together, non-gonococcal urethritis is at least several times as prevalent as gonorrhea and has devastating medical consequences in men, women, and babies
- At least 20 million Americans are afflicted with genital herpes, a painful, incurable virus which can be dangerous to newborns of infected mothers, and which may be associated with high risk of cervical cancer
- Rates of ectopic pregnancies have risen along with higher rates of venereal disease. Venereal disease is believed to contribute to at least half of all ectopic pregnancy, which results in fetal death and substantial risk to the mother.

In short, the magnitude of the situation almost defies comprehension. Who can possibly view these figures and not be shocked and horriffed? The epidemic of venereal diseases has become a national emergency -- and a national scandal -- because much of the disease is preventable.

This year babies will be killed or totally brain-damaged by herpes infection; babies will be killed by the ravages of syphilis; babies will be destroyed in the course of ectopic pregnancy caused by venereal disease; and babies will die in the womb from maternal chlamydia infection. (A study published on March 19, 1982 found stillbirth or neonatal death occurred 10 times more often in women infected with chlamydia, a sexually transmitted disease). The number of babies who will die this year from venereal diseases is greater than the total number of deaths from Legionnaire's disease and toxic shock syndrome together. An epidemic of fetal and neonatal death from venereal disease is clearly upon us. The only way to control the epidemic in babies is to control the diseases in the general population.

In FY 1980 and FY 1981, the federal appropriation for the Venereal Disease Prevention and Control program was $48 million. Due to inflation, the buying power in 1981 was already shrinking. Last year this Committee provided only $40 for the program. Although the House bill had fully funded the program, unfortunately the terms of the Continuing Resolution in December left the program with the Senate figure less another 4 percent. In FY 1982 funds for project grants to the states for venereal disease are at their lowest level in the past six years, even in real dollars.

It can be clearly demonstrated that disease incidence will decrease when federal dollars increase, and that venereal disease incidence will increase when federal support decreases. That axiom is being graphically proven today:

* On September 11, 1981 CDC announced in Morbidity and Mortality Weekly Report that the reported cases and rates of primary and secondary syphilis in the United States increased over the past 3 years, a 33.4% increase. The increase in rates from 1979 to 1980 was greater for women than men — a trend which was also reflected in drastically increased rates of congenital syphilis (children less than one year of age). The number of cases of congenital syphilis had reached an all-time low in 1978, but has shown a steady increase since then — an alarming 59.4%.

* On January 22, 1982 CDC reported in Morbidity and Mortality Weekly Report that the number of cases of penicillin-resistant gonorrhea infection increased more than six-fold from 1979 to the first 9 months of 1981.

* On April 16, 1982 CDC announced in Morbidity and Mortality Weekly Report an outbreak of a sexually transmitted disease rarely seen in temperate climates -- chancroid. This disease has never been reported at such high levels in the US. This outbreak took place in California, and is not yet under control. Due to our highly mobile society, the disease could easily spread to other areas. The need to control this outbreak is obvious, and highlights the need for a strong, well-coordinated program, with well-trained personnel who can properly diagnose and contain this new threat.

The level of funding is forcing the VD program to make difficult human trade-offs, decisions no one should have to make. Which is more acceptable, syphilitic babies or sterile women or uncontrolled herpes? Sadly, funding

This year babies will be killed or totally brain-damaged by herpes infection; babies will be killed by the ravages of syphilis; babies will be destroyed in the course of ectopic pregnancy caused by venereal disease; and babies will die in the womb from maternal chlamydia infection. (A study published on March 19, 1982 found stillbirth or neonatal death occurred 10 times more often in women infected with chlamydia, a sexually transmitted disease). The number of babies who will die this year from venereal diseases is greater than the total number of deaths from Legionnaire's disease and toxic shock syndrome together. An epidemic of fetal and neonatal death from venereal disease is clearly upon us. The only way to control the epidemic in babies is to control the diseases in the general population.

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The level of funding is forcing the VD program to make difficult human trade-offs, decisions no one should have to make. Which is more acceptable, syphilitic babies or sterile women or uncontrolled herpes? Sadly, funding will only permit the program to work on the problem of gonorrhea and to prevent its complications. In fact, with its investment in the gonorrhea effort, the program has been successful in holding the line on gonorrhea rates (which still number more than a million reported cases a year) for the first time in a decade and in preventing pelvic inflammatory disease. The program works when it has funds. Unfortunately it has never had the chance to prove it. Also sadly, the forced decision to focus on gonorrhea has meant that other sexually transmitted diseases receive little or no focus whatsoever — at a time when these too are looming large in society.

With the tremendous budget cut sustained by the program in FY 1982 the administrators face the challenge of sustaining the viability of its state programs. The decrease in funding would have meant that at least one-third of the program's field staff would have to be fired. Instead, the program has devised short-funding cycles and other creative measures to fund states through October. However, if the program does not receive a substantial increase for FY 1983, restoring it to at least its FY 1981 level, the program will be decimated, and the field staff, those well-trained valuable experts who are the core of the prevention and control component, will be gone. State and local programs, left without the important technical assistance and training of these disease investigators and scientists will suffer for years to come. There are too few well-trained venereal disease experts. The restoration of their ranks after the rolls have been depleted will be a long and difficult task, one that will cause a great deal of needless pain and suffering to millions of Americans.

On March 26, 1982 the CDC announced that an epidemic of genital herpes has been occurring in the United States since 1966 — that is, that an epidemic of an incurable venereal disease has existed in the US for 16 years, with more than a 900% increase in cases. Genital herpes is an incurable virus which claims at least 20 million Americans as its victims. As the disease is untreatable and basically unpreventable the number of persons plagued with this disease could easily double or triple in the next few years. The disease can have severe medical consequences. Herpes can seriously endanger a fetus during birth, causing serious neonatal disease. Two-thirds of the infected babies will die. The disease may also be responsible for miscarriage or stillbirth. The long-term consequences of herpes infection have also been linked to cancer of the cervix. The virus can be inadvertently transmitted into the eyes, and in fact, is the most frequent cause of infectious blindness in the US today.

The CDC is unable to even begin addressing this epidemic in the VD control program. Yet the disease continues to spread uncontrolled each minute. In his testimony, Dr. Foege stated that budget constraints will force the abandonment of any plans to begin work on herpes by the program, even their plans for a herpes education program.

I can assure you, Mr. Chairman, that this problem, the problem of all sexually transmitted diseases, will not go away, it will not get any better, not without a massive infusion of federal funds. We can no longer afford to close our eyes to the problem or to think that it is really no different than other federal health programs, all of which are being hurt by the budget to varying degrees. But there is a difference, a tremendous and critical difference. These are highly contagious communicable diseases which are totally out of control. A lack of funds results in the spread of the disease to more and more people.

We must reverse the federal government's retreat from the control of this sinister health threat in our nation. George Will stated in his column about the childhood immunization program, "Conservatives understand that there are occasions when governments must arm in order to disarm; they should understand that sometimes governments must spend in order to restrain future spending." I suggest to you that no problem is more deserving of your attention, or more indicative of the need to spend money now to avoid heavier costs later, than the Venereal Disease Control program of the Centers for Disease Control.

We recognize the great need to streamline the government and to bring down the federal deficit. However, there are some responsibilities, unique to the federal government, which must not be ignored. The prevention and control of communicable disease epidemics is one of those responsibilities.

We strongly urge you to support funding for a supplemental appropriation for fiscal year 1982 for this program. The need is overwhelming to maintain the program this year.

Further, we implore this Committee to finally allow the program to tackle the venereal disease epidemics in this nation in a meaningful way by providing full funding for venereal disease control in FY 1983. The program has authorized $46.5 million for project grants to states in FY 1983 in addition to its direct operations budget. We urge you to overcome some of the great damage that has been done to VD control in this country over the last few years by providing $46.5 million in grants to states and $10 million in direct operations funds in FY 1983. The increase in direct operations will permit the beginning of a serious effort toward educating the public about the risks and dangers of venereal diseases.

The venereal disease epidemic has raged for years, fueled by complacency, fear, shame, silence, ignorance and inattention. It is within the power of this Committee to erase fifty years of institutionalized neglect and societal indifference. The venereal disease epidemic is a reality. It affects one out of every four Americans between the ages of 15 and 55. Few are the opportunities where modest budgetary commitments can do so much to prevent the suffering of so many. We hope this Committee will seize the challenge.

Thank you for this opportunity to present our views.

HEALTH REQUIREMENT. I AM SUBMITTING A COPY OF THIS ASSESSMENT AS WELL AS TABLES INDICATING THE NUMBERS OF FULL-TIME AND CONTINUING EDUCATION STUDENTS IN THE SEVERAL OCCUPATIONAL HEALTH DISCIPLINES FROM 1977 THROUGH 1981 (APPENDIX 1). AS YOU WILL SEE, MOST OF THE INCREASES IN TRAINEES ARE ACCOUNTED FOR BY THE PROGRAMS OFFERED BY THE ERCS.

THROUGH THE EFFORTS OF THIS SUBCOMMITTEE AND THE EQUIVALENT SUBCOMMITTEE OF THE HOUSE, THE URGENTLY NEEDED TRAINING PROGRAMS IN OCCUPATIONAL SAFETY AND HEALTH HAVE BEEN KEPT ALIVE. THE FY 81 RESCISSION RESTORATION OF $8.752 MILLION PLUS THE UNENCUMBERED RESERVE FUNDS FROM PREVIOUS YEARS ALLOWED THE ERCS TO MAINTAIN A RESPECTABLE ROSTER OF STUDENTS. THE REDUCTION IN FUNDING REQUIRED RETRENCHMENT IN SOME PROGRAMS AND THE ADMISSION OF FEWER STUDENTS, AND IN SOME INSTANCES, THE TERMINATION OF PROGRAMS FOR WHICH SUPPORT WAS NOT AVAILABLE. THE FACULTIES IN SOME CENTERS HAD TO BE REDUCED. ALTHOUGH THE FY 82 ALLOCATION OF $5.76 MILLION FOR THE ERC PROGRAM WILL PREVENT THE TERMINATION OF MOST OF THE CENTERS, THEY WILL BE OPERATING AT A SEVERELY REDUCED LEVEL AND ALL WILL HAVE DIFFICULTY KEEPING BOTH FACULTY AND STUDENTS AT A LEVEL CONSISTENT WITH THE NATIONAL NEED.

LAST YEAR WE EXPRESSED THE CONVICTION THAT TRAINING PROGRAMS IN OCCUPATIONAL HEALTH AND SAFETY SHOULD BE COLLECTIVELY SUPPORTED BY THE FEDERAL GOVERNMENT, BY UNIVERSITY RESOURCES AND BY INDUSTRIES THEMSELVES. ONE YEAR LATER WE FIND THAT MOST UNIVERSITIES ARE IN SEVERE FINANCIAL STRAITS AND ARE CURTAILING OPERATING FUNDS SHARPLY. IN THE STATE OF OHIO FOR EXAMPLE, STATE-SUPPORTED UNIVERSITIES HAVE EXPERIENCED THREE SUCCESSIVE YEARS OF BUDGET CUTS AND THE FY 83 BUDGET CUT IS TO BE THE MOST SEVERE. PRIVATE UNIVERSITIES ARE NO BETTER OFF. AS FOR SUPPORT FROM THE PRIVATE SECTOR, SOME INDUSTRIES WHICH HAVE IN THE PAST SUPPORTED OCCUPATIONAL HEALTH EDUCATION FIND THEMSELVES IN ECONOMIC DIFFICULTY AND A NUMBER HAVE DISCONTINUED SUCH SUPPORT; OTHER INDUSTRIES ARE WILLING TO PROVIDE NOMINAL GIFTS WHICH ALLOW FOR FRACTIONAL SUPPORT OF STUDENTS. ONLY A VERY FEW HAVE CONTINUED TO PROVIDE COMPLETE SUPPORT FOR STUDENT FELLOWSHIPS AND TUITION. AT THIS POINT THERE IS NO SUPPORT FROM THE INDUSTRIAL SECTOR FOR FACULTY SALARIES.

THE 1976 GOAL FOR THE ERC PROGRAM WAS TO DEVELOP TWENTY CENTERS WITH APPROXIMATELY $1.0 MILLION OF SUPPORT FOR EACH UNIT. IN THE FIRST FIVE YEARS OF THE PROGRAM, 13 CENTERS WERE FUNDED. IN OUR VIEW, TO FULFILL THE RESPONSIBILITY OF MEETING CURRENT AND FUTURE MANPOWER DEFICITS, A VIABLE LEVEL OF SUPPORT WOULD REQUIRE AN APPROPRIATION OF AT LEAST $13 MILLION. TO FURTHER STRENGTHEN THE NIOSH TRAINING PROGRAM EFFORT WE ARE ALSO RECOMMENDING THAT AN ADDITIONAL $2.5 MILLION BE ALLOCATED FOR AN IN-HOUSE TRAINING AND MANPOWER DEVELOPMENT PROGRAM.

THE CENTERS HAVE DEVELOPED A CRITICAL MASS OF FACULTY FOR GRADUATE AND CONTINUING EDUCATION. THESE FACULTIES MUST HAVE SUPPORT FOR THEIR RESEARCH EFFORTS AS WELL, IF THE CENTERS ARE TO ADDRESS THE IMPORTANT STILL-TO-BE-ANSWERED QUESTIONS REGARDING THE "HOW AND WHY" OF OCCUPATIONAL INJURY AND DISEASE AS WELL AS THEIR PREVENTION AND CONTROL. GRADUATE EDUCATION IN THE HEALTH SCIENCES REQUIRES A RESEARCH BASE. IN A PERIOD OF THREE FISCAL YEARS THE RESEARCH BUDGET OF NIOSH HAS BEEN DECREASED FROM $76 MILLION TO $48 MILLION. OCCUPATIONAL HEALTH RESEARCH NEEDS, LIKE THOSE OF ENVIRONMENTAL HEALTH, ARE INCREASING NOT DECREASING. WE RECOMMEND THAT THE LEVEL OF RESEARCH FUNDING FOR NIOSH BE RESTORED TO AT LEAST THE $65 MILLION LEVEL AND THAT $10 MILLION OF THOSE MONIES BE DESIGNATED FOR EXTRAMURAL RESEARCH PROJECTS. THIS WOULD ENABLE THE ACADEMIC CENTERS SUCH AS THE ERCs TO STUDY IN-DEPTH THE CRITICAL HAZARD PROBLEMS IN THE WORKPLACE WHICH REQUIRE ATTENTION. EXAMPLES OF THESE ARE: OCCUPATIONALLY-RELATED CANCER, OCCUPATIONALLY-RELATED PULMONARY DISEASE, HAZARDS TO THE REPRODUCTIVE SYSTEM, OCCUPATIONAL SKIN DISEASES, THE CAUSES AND PREVENTION OF TRAUMATIC INJURY, OCCUPATIONALLY-RELATED NEUROBEHAVIORAL PROBLEMS, HEARING LOSS AND EYE INJURIES.

THIS IS A MOST CRITICAL PERIOD FOR OCCUPATIONAL HEALTH RESEARCH AND TRAINING. THE FEDERAL GOVERNMENT HISTORICALLY HAS ACCEPTED THE RESPONSIBILITY FOR SUPPORTING MANPOWER DEVELOPMENT AND RESEARCH IN THE HEALTH SCIENCES. HOWEVER, IT IS ONLY SINCE THE ENACTMENT OF THE OCCUPATIONAL SAFETY AND HEALTH ACT IN 1970 THAT THIS NATIONAL INSTITUTE -- NIOSH -- HAS BEEN GIVEN THE CLEAR RESPONSIBILITY FOR SUPPORTING MANPOWER DEVELOPMENT AND RESEARCH. THE RESULT HAS BEEN THAT ACADEMIC INSTITUTIONS HAVE TAKEN ON A NEW COMMITMENT IN THE OCCUPATIONAL HEALTH ARENA. IT IS A SERIOUS ONE. UNIVERSITIES HAVE RECRUITED FACULTY, ESTABLISHED STANDARDS OF EXCELLENCE FOR CURRICULUM QUALITY AND TRAINING QUALIFICATIONS. MANY OF THESE UNIVERSITIES CONTRIBUTE SUBSTANTIALLY TO THE SUPPORT OF SUCH PROGRAMS THROUGH FACULTY SALARIES, GRADUATE STUDENT ASSISTANTSHIPS AND TUITION SCHOLARSHIPS. WHILE UNIVERSITIES WILL FACE FORMIDABLE PROBLEMS IF SUPPORT FOR SUCH PROGRAMS CONTINUE TO DECREASE OR IS ELIMINATED, IN THE FINAL ANALYSIS, IT WILL BE THE INDUSTRIES THEMSELVES AND THE PRODUCTIVE WORK FORCE OF THESE INDUSTRIES WHICH WILL TRULY SUFFER THE LOSS.

THANK YOU.

TABLE 1

OCCUPATIONAL MEDICINE TRAINEES
1977 - 1981

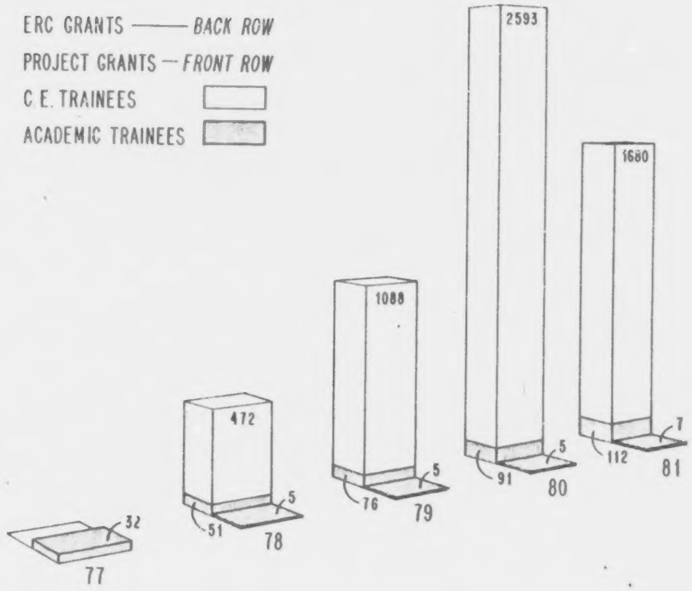


TABLE 2

OCCUPATIONAL HEALTH NURSING TRAINEES
1977 - 1981

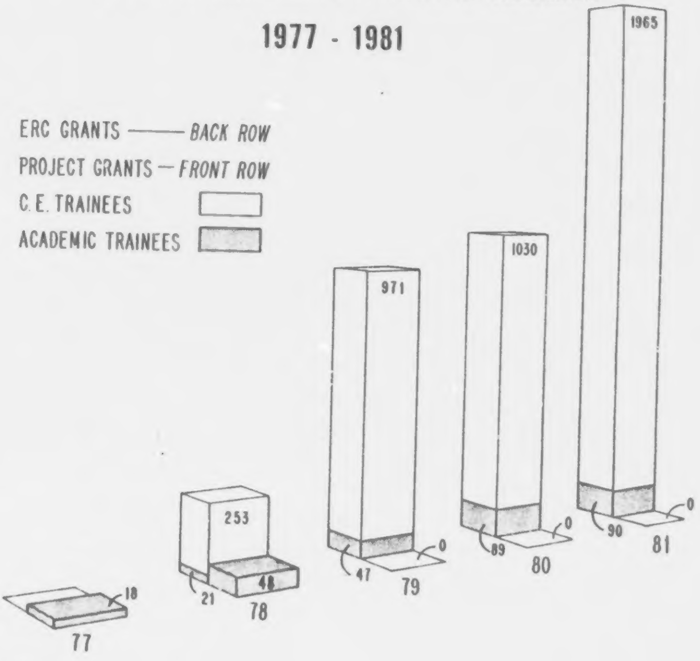


TABLE 3

INDUSTRIAL HYGIENE TRAINEES
1977 - 1981

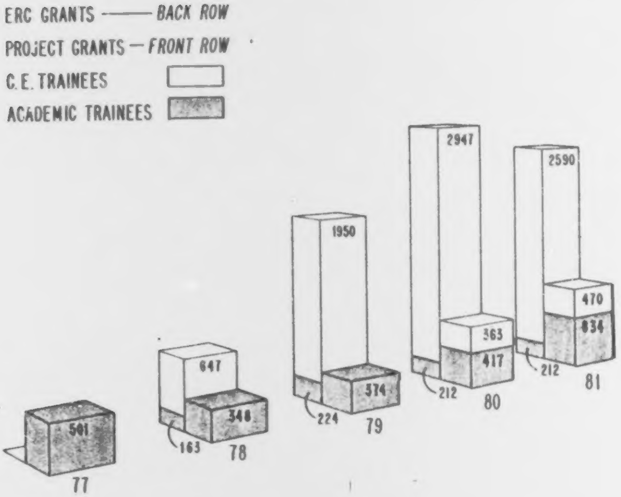


TABLE 4

OCCUPATION..L SAFETY TRAINEES
(Includes Occupational Safety and Health Professionals)
1977 - 1981

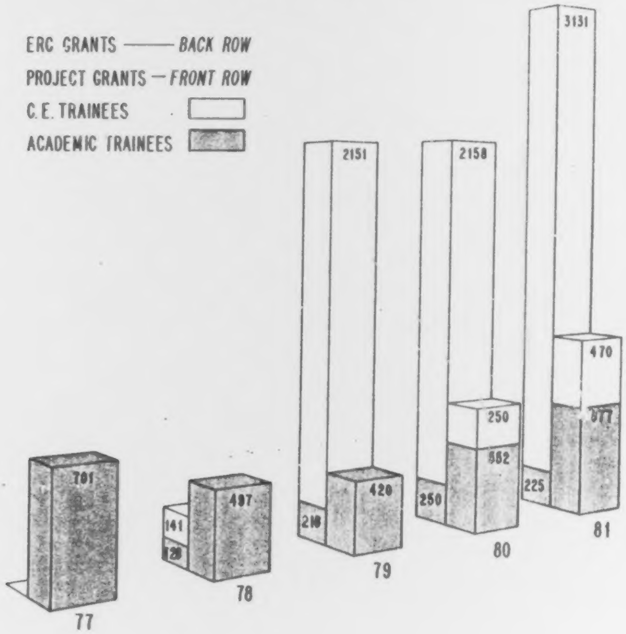


TABLE 5

FY-81 TRAINEE OUTPUT RANKED BY ERC

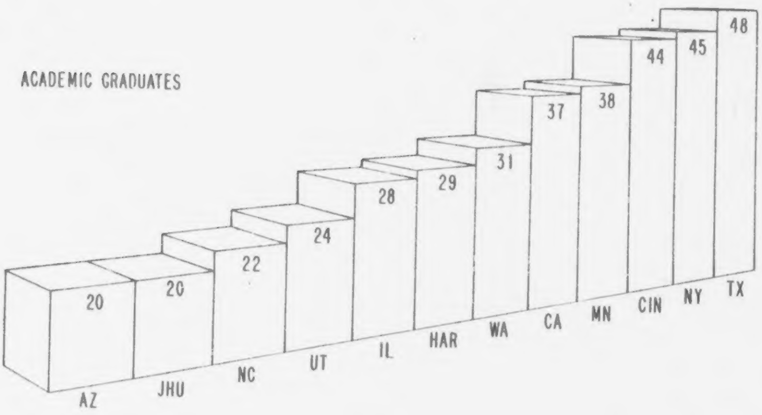
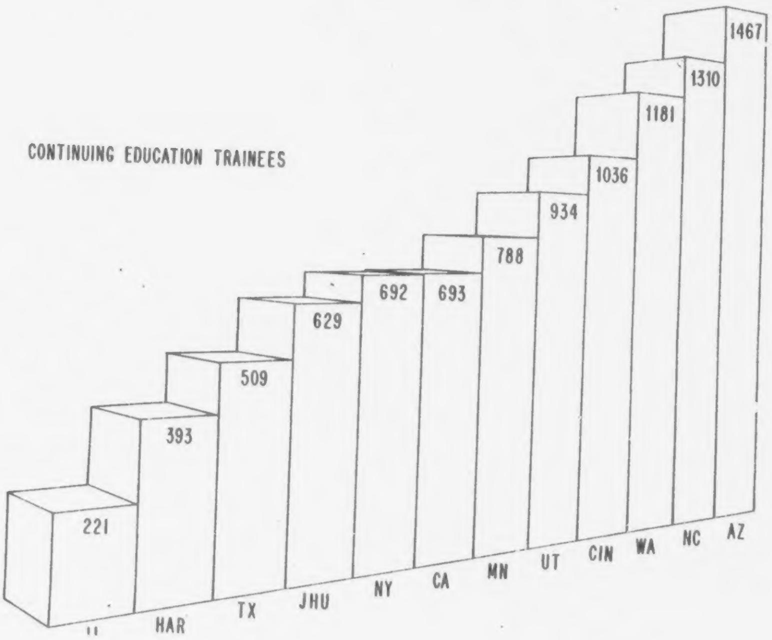


TABLE 6

FY-81 TRAINEE OUTPUT RANKED BY ERC



Occupational Safety and Health Workforce Development

An Assessment of Supply and Demand

The Occupational Safety and Health Act of 1970 (Public Law 91-596) gives a mandate to the Secretary of Health and Human Services to "conduct, directly or by grants or contracts education programs to provide an adequate supply of qualified personnel" to protect the health and welfare of the American worker.

To comply with this mandate, NIOSH has supported intramural as well as extramural workforce development programs since the inception of the Act. Manpower needs studies were initiated in the early 70's. In 1977, a nationwide manpower census and workforce demand survey was conducted and published. The study[1] also projected the manpower demands through 1990. In 1977, the Occupational Safety and Health (OSH) Workforce totalled 84,850. In 1990, the forecasted demand for OSH personnel increases to 110,840. Because of attrition during this period, 52,930 new hires will be required.

Essentially, all recognized training and education programs for production of the needed OH&S personnel in the country exist as a result of NIOSH/DTMD direct or indirect financial and technical support. Table 1 displays the annual supply/demand characteristics of the Occupational Safety and Health field. In the present period, NIOSH through its training grants, is providing an annual supply of 781 OSH researchers, teachers, and practitioners. At the same time, the National Demand of OSH personnel is 5,310. The current annual supply/demand deficit is 4584. In other words, graduates from NIOSH-supported programs account for only 14.7% of the Nation's manpower requirements.

A large majority of the 90,000 plus OSH personnel came into the field before formal academic training was available. They entered the profession via continuing education/on-the-job training routes. Continuing education and short-term technical training is necessary as it serves another very important need. The OSH field is multi-discplined and extremely dynamic in regard to research and field studies and control technology advances. NIOSH, as the primary research agency in the OSH field, employs continuing education as a major technology dissemination strategy to inform OSH practitioners of the latest findings and recommendations. Table 2 describes the dramatic growth in the NIOSH Continuing Education Network since the inception of the Educational Resource Center (ERC) Grant Program. In 1981, over 11,000 OSH practitioners are being kept updated and proficient in their respective disciplines. It is planned to increase the annual continuing education output to 30,000 plus in the second five years of the ERC Grants to enable each and every OSH practitioner an opportunity for Continuing Education credit on a three-year cycle. This is also consistent with recertification and proficiency maintenance requirements of the professional associations such as the American Board of Industrial Hygiene, the American Nurses Association, the Board of Certified Ssfety Professionals and the American Board of Preventive and Occupational Medicine.

The four major disciplines in the OSH field are industrial hygiene, occupational medicine, occupational health nursing, and occupational safety. Several programs combine industrial hygiene and safety to produce an occupational safety and health general practitioner or generalist. Other supporting disciplines include toxicology, epidemiology, biostatistics, and ergonomics. Table 3 shows the Institute's long term and short-term education programs from 1977 through 1981. The overall cost per student for career and continuing education training at NIOSH-supported academic institutions averages $2000,00 per year on an FTE basis. The cost is miniscule when compared to cost in life and limb to the American workforce every day due to industrial accidents and occupational illness and disease.

Reference

1 *A Nationwide Survey of the Occupational Safety and Health Workforce*, U.S. Department of Health and Human Services, Public Health Service, Center for Disease Control, National Institute for Occupational Safety and Health, July 1978.

TABLE 1: Supply/Demand Characteristics of the OSH Fields

	ANNUAL SUPPLY[a]	ANNUAL DEMAND[b]	SUPPLY/ DEMAND
SAFETY	317	2460	12.0%
NURSE	49	600	8.1%
INDUSTRIAL HYGIENE	218	750	29%
PHYSICIAN	51	100	51%
GENERALIST	146	1220	12%
OVERALL	781	5310	14.7%
		781	
TOTAL ANNUAL DEFICIT		4529	

TOTAL Number of New Hires Required fron now to 1990 - 52,930[c]

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[a] NIOSH Internal Report on Grant-Supported Trainees (Graduates - 1981)

[b] A Nationwide Survey of OSH Workforce, DHHS Publication No. 78-164, Table 22, page 39

[c] Ibid, Table 21, page 38

Table 2

FULL-TIME & CONTINUING EDUCATION STUDENTS BEING TRAINED UNDER NIOSH SUPPORTED PROGRAMS[1/]

	77[2/]			78			79			80			81		
	PG	TOTAL	ERC	PG	TOTAL	ERC	PG	TOTAL	ERC	PG	TOTAL	ERC	PG	TOTAL	ERC
Ir ustrial Hygiene	351	351	0	348	511	163	370	594	224	417	629	212	634	846	217
Ii ustrial Hygiene Continuing Educ.	-	-	-	0	647	647	0	1950	1950	363	3310	2947	470	3060	2590
Oc upational Medicine	32	32	0	5	56	51	3	79	76	5	96	91	7	119	112
Oc upational Medicine Continuing Educ.	-	-	-	0	472	472	0	1088	1088	0	2593	2593	0	1680	1680
Oc upational Safety & Health Pı fessional[3/]	-	-	-	-	-	-	181	280	99	260	336	76	189	267	78
)c upational Safety & Health Pı fessional Continuing Educ.	-	-	-	-	-	-	0	1204	1204	250	1337	1087	346	1555	1209
Oc upational Safety & Health T hnician[4/]	75	75	0	85	85	0	59	59	0	77	77	0	16	20	4
Oc upational Safety & Health T hnician Continuing Educ.	-	-	-	-	-	-	-	-	-	385	385	0	85	85	0
O upational Health Nursing	18	18	0	48	69	21	0	47	47	0	89	89	0	90	90
O upational Health Nursing C it. Educ.	-	-	-	0	253	253	0	971	971	0	1030	1030	0	1965	1965
O upational Safety	NA	NA	0	497	625	128	239	356	117	292	466	174	488	635	147
O upational Safety Cont. Educ.	-	-	-	0	141	141	0	947	947	0	1071	1071	124	2028	1904
ner	9	9	0	0	102	102	8	104	96	0	140	140	0	141	141
tinuing Education	-	-	-	0	170	170	0	261	261	0	214	214	0	295	295
al Academic			0	983	1448	465	860	1519	659	1051	1833	782	1334	2118	784
tal Academic Continuing Education	-	-	-	0	1683	1683	0	6421	6421	1006	9940	8944	1025	10668	9643

The numbers in this table do not include part-time trainees.

All students are shown in project grants for FY77 since the ERC's were not funded until the end of the fiscal year.

These are combined Safety & Health programs.

These are two-year post High School programs which award an associate degree.

NOTE: PG--Project Grants
ERC--Educational Resource Center

NATIONAL CANCER INSTITUTE PANEL

STATEMENTS OF:

GRACE POWERS MONACO, J.D., PRESIDENT, CANDLELIGHTERS

DR. TIMOTHY R. TALBOT, JR., PRESIDENT, ASSOCIATION OF AMERICAN CANCER INSTITUTES

DR. ROBERT C. HICKEY, EXECUTIVE VICE PRESIDENT, UNIVERSITY OF TEXAS SYSTEM CANCER CENTER AND REPRESENTING THE DAMON RUNYON-WALTER WINCHELL CANCER FUND

DR. ROBERT HUTTER, PRESIDENT, AMERICAN CANCER SOCIETY

Senator BURDICK. Our fourth and final panel this afternoon will cover the National Cancer Institute, National Institutes of Health.

The subcommittee will hear testimony from the Candlelighters, Association of American Cancer Institutes, Damon Runyon-Walter Winchell Cancer Fund, and the American Cancer Society.

Your complete statements will be made a part of the record. If you get the light that shows a limitation on time, then please finish your statement. You can determine your own order.

STATEMENT OF DR. ROBERT C. HICKEY

Dr. HICKEY. I am executive vice president of the University of Texas System Cancer Center; professor of surgery; prior to that time professor of surgery at the University of Iowa and the University of Wisconsin.

I am speaking for the Damon Runyon-Walter Winchell Cancer Fund. Dr. Charles LeMater is president of the organization and president of my institution.

I am a member of the National Cancer Advisory Board; I am not speaking for the board. I wish to speak to the budget of the National Cancer Institute—the Presidential budget.

Since 1978 that budget has been flat due to inflation. When Congress passed the resolution of Senator Yarborough and then the National Cancer Act of 1971, the budget was increased very sharply from $230 million to nearly $1 billion.

As a consequence, there have been 3 comprehensive cancer centers and now 20. And during this decade there has been great technological advance in the basic and clinical science and cancer cure rates under the age of 45, public education and professional education.

And off the cuff I can think of at least five Nobel laureates. But I'm going to speak from examining my own institution and from the year and a half on the board the grant requests that have been coming forward.

The research budget is $786.5 million; cause and prevention, $235 million; detection and diagnosis, $62 million; treatment and research, $311 million; and cancer biology, $177 million for a total of $786 million.

I respectfully suggest that there be some increases: epidemiology up to $60 million. An increase of $5 million to find out why there is an increase of stomach cancer in northern Minnesota, and northern Wisconsin—your neighborhood—as compared to the rest of the United States; and in my own area, why the increase in lung cancer.

Nutrition increase of $5 million to $20 million; immunology, which I think is one of the burgeoning fields at the present time—an increase of $25 million up to $100 million; and preclinical cancer treatment, $8½ million.

And cancer treatment, and particularly in the organ site program—and I wish to come back to that—that there be a sum total of a $30 million increase.

The organ site program—what will be known as the organ system program—directed attention to areas of deficits: pancreas, large bowel, prostate, and the bladder. That budget has been reduced from $15 to $13 to $10 million, and I believe it should go to at least $22 million—$22.5 million, and possibly it could go to $30 million.

Now, resources development—the centers. Cancer centers have a budget at the present time to over our resource budget being $114 million. The centers have $76 million, and I believe the core grants could go for the centers—the cancer centers, the comprehensive centers throughout this Nation, to $100 million—an increase of $24 million.

Research, manpower—particularly the education of those new scientists who come along and their pre- and post-doctoral training is at $22 million. It has been cut, and I think that cut should be restored to $23 million.

Clinical education programs have been reduced to $6 million, it should go to $10 million. Some 88 medical schools have undergraduate programs that are being supported by this. Both the medical and dental schools are being supported. This increase amounts to $4 million.

Construction—we must keep building. The construction budget has been reduced in the 1983 budget to $2.8 million, and I think it should go to $20 million.

Cancer control, prevention—an increase to $30 million—roughly an increase of $10 million. And then in the education of the public, an additional $1 million increase.

I respectfully present a summary of what I believe can be used considering the President's budget at $955.5 million. I believe this $112 million increase—11 percent—can be presented in good conscience.

Thank you very much for permitting me to make this presentation.

Senator BURDICK. Thank you.

STATEMENT OF DR. TIMOTHY TALBOT

Dr. TALBOT. It is a privilege for me to be here to present the views of the Association of American Cancer Institutes for the fiscal year 1983.

I am vice chairman of the board and until recently, president of the Fox Chase Cancer Center in Philadelphia. And I am the current president of the Association of American Cancer Institutes.

That association represents about 65 cancer centers in the Nation, including the 20 comprehensive cancer centers to which Dr. Hickey has referred. The centers are an extremely important resource in research and care in the entire national cancer program.

I wish to emphasize one central issue in my presentation today and to leave most of the other points that I have made in my written testimony—leave them to quieter perusal by the committee.

I want, however, to refer to one particular kind of progress that has been made, it being representative of the kind of progress that we have all dreamed about for many years, as we worked in this field for 20 and 30 years that we have been in it.

For example, I refer to cancer of the liver that originates in the liver, which is therefore primary cancer of the liver. This is now known to be associated with hepatitis B virus.

Dr. Blumberg of our center was awarded the Nobel Prize for his work which demonstrated the relationship of hepatitis B to primary cancer of the liver. This also led to the development of the vaccine against hepatitis B.

Although not common in the United States, primary cancer of the liver is the most common cause of death in other parts of the world, including Africa and China. But the way is not open with appropriate public health measures and assistance to the prevention of one of the most common cancers in the world. It may be that this will lead to other similar understandings, but it is too soon to promise this.

This is the kind of solution that competent and creative fundamental research can lead to and it seems to me is representative of the kind of hope that we have as we support these research efforts.

The chairman and his committee, I am sure, are aware that one of the major forms of support for cancer centers and one of the major forms chosen by the NCI to initiate and help to start new cancer centers has been the core grants or the cancer center support grants.

These are the important glue that hold the centers together and that has made it possible for them to exist. For every $4 of research grants, including both RO-1 and PO-1, there is now approximately $1 in the cancer center support grants.

This ratio has been declining slowly but steadily during the last few years, as I have referred to in the chart that you will find at the end of this testimony in written form.

We would like to report to you that the authorizing committee in the House has already begun steps to improve the situation. In the bill introduced by Mr. Waxman, the Health and Research Act of 1982, there is created a specific authorization for cancer center support grants.

We note with pleasure that the bill establishes the authorization levels of $83, $93, and $103 million each year during the coming 3 years.

We hope that this proposed specific authorization will be included in the final authorization legislation as it emerges from the Congress.

We recommend that if that occurs in time for it to be considered in your markup of this appropriations bill, that your committee fully fund the centers to the authorized level.

In the event that the authorization bill has not been through the necessary legislative steps for you to appropriate funding specifically for such authorizations, then we request that the committee provide bill report language of such cancer center grants in relation to all grants. And we'd be pleased to provide you and your staff such assistance as may be required to develop such language.

We also hope, as you would expect, that the National Cancer Institute as a whole be justifiably given support, and we recommend an overall appropriation for the NCI at a level fiscal year 1982 budget, plus sufficient amounts of funds to provide for inflationary increases and a 5-percent additional increase in new research opportunities.

Thank you, Mr. Chairman, for permitting us to give our views.

Senator BURDICK. Thank you. Ms. Monaco.

STATEMENT OF GRACE POWERS MONACO

Ms. MONACO. Let me identify myself. I am presenting, I would think, the parent and the personal perspective of what we hope that you would be considering and looking at what you are going to be doing in appropriations for the National Cancer Institute for the upcoming fiscal year.

I am Grace Monaco; I am the mother of a child with cancer. I am one of the cofounders of Candlelighters, which is an international organization for parents of children with cancer, which started here 12 years ago and which is now an organization with 155 groups in this country and all over the world.

And what I would like to speak to you about is to echo what the gentleman who preceded me and Dr. Hutter, who will follow me, are going to be saying about the totality and the needs of the Cancer Institute.

But my focus will be primarily on what has been happening and the good news in cancer—in pediatric and adolescent cancers—and the dilemmas that we find ourselves in as a result of the good news that this appropriations committee can do something about in order to assure that the good news continues.

Because of the funding levels and the high level of effort that has been extended by those who are caring in the research and the treatment community for our children over the last 10 to 12 years we can say that the children who are treated in some way tied to a major center of excellence in the treatment of pediatric and adolescent cancer have a shot at the gold ring on the merry-go-round.

We can cure most of the children who have acute lymphocytic leukemia. We can provide cures long-term survivals—for a variety of other cancers, including Hodgkins and various tumors like sarcoma, retinoblastoma, and the like.

Unfortunately, the good news in cancer is that because it has been written up so beautifully on children in the literature in the journals, there are many physicians now in the community who believe that they can treat children by themselves in isolation without being tied to any of the clinical cooperative groups that have been so painfully developed or the outreach programs from the cancer centers, or the clinical cooperative programs that are now in the development stage through the efforts of the Director of the National Cancer Institute.

Because of this—because the good news has inspired the confidence of a lot of local physicians that they can treat our children in isolation, the continued success and cure rate for these children—the continued long-term survival that we anticipate and would like to give as a gift to our children is seriously threatened.

This is not something that automatically happens if you are in a rural community. In fact, in many instances, the threats are less if you are in a rural community because the patterns of referral and the linkages to major centers of necessity have been developed there from times and beginning in our centers.

This is, believe it or not, a problem that can exist even more in the urban setting of which we are a part here in Washington, of which we are a part in New York, and which we are a part in Boston—in almost every major place that has many excellent centers for the treatment of pediatric and adolescent oncologies.

Our children are falling through the cracks. Now, I will give you an idea of what you can do to prevent and to strengthen the connective tissue that will prevent it from happening, but before I do that, I want to emphasize: It is the clinical cooperative programs that are being funded through the Cancer Institute—the children's study groups of various names, the center outreach programs, the clinical cooperative and oncology program, which are what we see as the linkages to the child and that child's physician into the excellence that is available in pediatric and adolescent cancer that will permit us to give the children cure where it is possible for all our children—not just the 60 percent that are tied in to a center program—as opposed to the 33 percent in cures which occur when children are not tied in to that major center program.

We do not believe that we want to ace out the local physicians in doing this. We believe we want to strengthen the local physicians, so that 90 to 95 percent of the care of this physician can be taking place at the community level. But they must be tied in to a clinical program. If not, things that are happening now—even here in the District, black medicaid mothers whose children are being treated by pediatricians and then referred to adult specialists with no oncology consultation and told when the cancer is diagnosed to take their child home to die because those physicians have not kept up with the good news in cancer for our children will not be permitted to happen as often.

We need HHS to give full funding to the kinds of efforts that the National Cancer Institute has promoted that will permit them to strengthen the treatment that is locally available to our children and to tie them in to the centers of excellence that will assure that they have their chance at cure.

The committees on appropriations have been most generous in the past in helping us reach the good news that we are at now. It would be a pity if we had let the level of support erode for those programs at these cancer centers and those programs that NCI is pushing that won't mean that 10 years from now we can sit here and say that the good news not only continues but gets better.

Without that full support, I am afraid we will come back here and say that we have slipped to a point in which our children are not being cured of the disease that we have all worked so hard to try to arrive at a solution to.

Senator BURDICK. Thank you. Dr. Hutter.

STATEMENT OF DR. ROBERT HUTTER

Dr. HUTTER. I am Dr. Robert Hutter, the president of the American Cancer Society, and I'm privileged to be here today to present testimony on behalf of the society.

As you know, the society is a voluntary health agency with over 2 million volunteers, many of whom are your constituents. They represent the grass roots of communities throughout the entire Nation.

The society strongly supports a funding level of $1.2 billion, which will permit the National Cancer Institute and those of us who are practicing physicians working with people stricken by cancer the opportunity to sustain the momentum and further the progress made during the last decade.

I am here to report to you that during the last decade we have seen remarkable achievements in diagnostic treatment in the prevention of death from cancer.

Using the 1973 to 1980 data from the National Cancer Institute, we estimate that 45 to 50 percent of the people with serious cancers treated during that time will be cured.

As many as 25 percent of the patients who had certain forms of lung cancer that are now getting chemotherapy and radiation therapy are being cured. These advances in cancer control have not come about by accident. They are the product of many years of dedicated, basic clinical research supported by the Government and by the private sector.

Progress I have described in my text, which is available to you, would not have been possible without Federal funds. There is no way those funds could be replaced by the private sector.

For example, the American Cancer Society commits $150 million a year for cancer research education and service. Last year the NCI budgeted nearly $1 billion for research—cancer control technology transfer.

Although the American Cancer Society programs are extremely effective, we simply could not raise the amount of money in the private sector to equal the support provided by Federal programs.

Although much has been accomplished, much more needs to be done. This year more than 430,000 Americans and 58 million Americans now living among us will eventually have cancer. Despite the advances in treatment and cure that were just described by Mrs. Monaco in childhood cancer, this disease still kills more children aged 3 to 14 years than any other disease.

Recent data indicate that the economic burden of cancer on industry, labor, country, and on individual family members continues to increase dramatically and alarmingly. The third national cancer survey reports that in 1975–76, $3½ billion was spent on hospital care for cancer patients alone. And in 1975 it cost our Nation between $13.7 and $17.1 billion in loss of productivity and other indirect costs.

It is our estimate that it would be tragically false economy to curtail our country's investment in cancer research when cancer continues unrelentant to increase the cost to the Nation socially, psychologically, physically, and economically.

There are 3 million Americans alive today after the diagnosis of cancer, and 2 million of these were diagnosed more than 5 years ago. There is reason to believe that future research developments in the areas we are now only beginning to explore will increase that number by manyfold, if we continue to find promising research.

But we in the private sector cannot do it alone. We ask that you continue to help us to control cancer over the next decade, as you have in the last decade with a responsible, reasonable commitment of Government funds which we believe will require not less than $1.2 billion in 1983.

We all have reason to be proud of the achievements that we have made in cancer control, but we also have reason to lament the fact that while we are moving inexorably ahead, people continue to die from this dread disease—cancer.

We must not find ourselves in this same rut 10 years from now, talking about what might have been or talking of the lives that were needlessly lost. We most move forward now.

Thank you.

QUESTIONS

Senator BURDICK. Thank you.

The administration proposes to cap indirect costs for research grants at 90 percent of actual cost, and also to reduce the average cost of noncompeting continuation grants by 3 or 4 percent and maintain training allowances at slightly below the fiscal 1982 level.

What, in your opinion, will these policies do to your research and training efforts?

Mr. TALBOT. That leaves two of us. Maybe every one of us would like to respond to that, sir—the indirect costs.

It is made to appear when one speaks of an overall percentage cut across-the-board that that is a nice, simply and justly uniform process which will lead to a uniform result. And exactly the opposite is true, Mr. Chairman.

The variations and the diversity of various cancer centers and cancer programs is really extremely great. And the variation in the consequence of such a reduction in an across-the-board method would lead to a disastrous inequality and unevenness of effect.

I would hope that at the very least consideration can be given to this uneven effect, and if something has to be done, let's at least be sure that we are not generous to some and unpleasantly cruel to others among the institutions.

And I think it will require careful and considerate study.

Dr. Hickey may have some comments. I think either of us can comment on all of the issues that you have referred to.

Dr. HICKEY. That is a very cogent question. The overhead pays for cleaning the institution, turning on the lights, et cetera, and takes care of other obligations. The 10 percent means we have to take it from something else. It has to be from voluntary agencies or State support, or whatever, or fiscal management.

You might ask me if that were one of the things that we would consider, careful fiscal management. And the answer is, of course, yes.

Now, the rationale behind why, it's so that we can, at the National Cancer Institute, can give more RO–1 or PO–1 grants.

The other question that you have asked is about the continuation of deficits. This cutting has caused great difficulties, and I wish that this were not the case.

Dr. TALBOT. I would echo that.

Senator BURDICK. Any other echos?

Dr. HUTTER. Only to say that the cost that you referred to may be indirect, but the effects will be direct and there will be a net reduction in the commitment to the cancer program if the system——

Dr. TALBOT. I wish I had thought of those words.

Dr. HICKEY. May I say one more thing?

Senator BURDICK. Yes.

Dr. HICKEY. I agree with what Dr. Robert Hutter had to say.

My calculation, on a very, very careful going through, item by item—and I wish to congratulate the director and all of the staff of the National Cancer Institute for pulling this budget together—mine was about $1.1 billion, and his was about $1.2. But if I were to go through again, I sure could come up with $1.2 billion.

Senator BURDICK. Thank you all for your testimony. Your statements will be inserted in the record at this point.

[The statements follow:]

STATEMENT OF GRACE POWERS MONACO

My name is Grace Powers Monaco, I am representing CANDLELIGHTERS an international coalition of families of children and adolescents affected by cancer in 49 States and 10 foreign countries.

In 1970- 35% of our children with acute lymphocytic leukemia could look forward to long term survival or cure. Ten years later that percentage nationally is up to 55%. However, 60 to 65% five year life expectancies for childhood and adolescent cancer cases apply to those treated in centers adequately staffed and equipped to manage childhood cancer. Specifically, with respect to treatment at centers that are recognized for excellence in treating pediatric and adolescent cancers, Hodgkins (80% -five year survival rates), lymphatic cancer (70%), acute leukemia (50-70%), bone cancers (50-60%), retinoblastoma (83-85%), rhabdomyosarcoma (80%).

Our black children fare less well. For example, in the early 1970's, studies indicated that 92% of white children attained a remission in Acute lymphocytic leukemia and live an average of 23 months. In our black children the % was 74 % and these children lived an average of 14 months.

The majority of our children have a chance for the gold ring on the merry-go-round, CURE. There are activities currently on-going at the National Cancer Institute or in the planning stages that, with your support can give our children, a better chance to achieve cure or long term survival.

Key to an understanding of what is needed for this chance is that the care of children with cancer is highly specialized and constantly changing to meet new knowledge. The pediatric hematologist/oncologist, the pediatric surgeon, the pediatric radiologist and the support teams are the lfelines our chilren lean on.

Clearly, to achieve cure our children must have the staging, evaluation and re-evaluation of their cancers done by people whose life is pediatric cancer. Their total treatment cannot be managed by physicians who see one child with cancer in 10 years, or by adult oncologists.

We do not look to eliminate the hometown pediatric oncologist or the local family physician. Our approach would not close the local physician out of the process. He or she would remain the central primary care physician in the child's treatment. This is the welcome thrust of the existing pediatric clinical cooperative programs, the cancer center outreach programs and National Cancer Institute's planned Community Clinical ONcology Program which all encourage and support full involvement of the local physician has the counsel and a hookup to all that is best in pediatric cancer. The most promising medical decisions are made for the child and everyday treatment, in 90% or more of cases, is carried out at the local level. The key is getting the child through the local caregiver into a relationship with a center of excellence in treatment of childhood cancer. Through this approach patient accrual in protocols increases and with that increase the ability to meaningfully evaluate therapy increases. National Cancer Institute is providing under Community Clinical Oncology Programs that extra credit be given to local physicians entering children into cooperative or center protocols as an inducement to a relationship between the local treatment process and the specialized care center.

A Candlelighters canvas of respected authorities in the treatment of cancer in children and adolescents have revealed the following threats to cure for our children. The proliferation of medical oncologists and surgeons with some experience in oncology has made them all a bit "hungrier" for patients and less willing to refer them to the pediatric oncologists. The improved results in children's cancer therapy has also given them the impression that it must be easier.

The following example gives flesh to the threats to our children's chance of cure outlined above.

> "A black,single, medicaid mother in a metropolitan area where there is a wealth of pediatric specialists, including hematologists/oncologists. A child with a lump on her jaw. A pediatrician referral to an adult

head and neck surgeon. No pediatric oncology or surgery consultations. Surgery. 'Mother, your daughter has terminal cancer, nothing can be done.' This child had a rhabdomyosarcoma. Raise your hands, all our children with rhabdomyosarcoma who are off drugs and doing fine. We encouraged her to seek a second opinion and provided her with names of institutions in her area which could be contacted. We also told her about the second opinion physician to physician service which the NIH Clinical Center has. NIH was studying this form of childhood cancer . The child has been accepted for treatment there. Without this information and guidance Candlelighters provided for this family, this child would be sitting home waiting to die."

APPROPORIATIONS NEEDED TO ACHIEVE SUPPORT FOR THE PROGRAMS VITAL TO OUR CHILDREN'S CURE OR LONG TERM SURVIVAL.

The decreased funding of cooperative and center outreach programs related to pediatric and adolescent cancers will not only exacerbate the problems noted above but will also have the following effects:

1) The decreased funding of cooperative groups coupled with the shifting emphasis to Clinical Community Oncology Programs will further limit the pediatric programs financially and tend to siphon off some patients, particularly adolescents, to less directed programs.

2) Decreased funding puts an increased financial burden on families due to limited access to drugs, etc.

3) The medical centers and academic departments are forced to underwrite an increasing proporation of clinical pediatric cancer research as the increased costs of performing good studies, data collection, etc. are really no longer being covered by study group budgets. This comes at a time of shrinking general resources to support other phases of our academic programs.

4) Many important studies cannot be included in protocols because of their expense which may not be picked up by third party coverage. An example is psychologic testing in leukemic children receiving CNS prophylaxis. At times these scientific questions are the most important part of a study. There is virtually no money available any longer to defray the expense for studies of purely research interest on protocol patients.

5) The cutback of training grants in all part of the NIH is leading to a shortage of well-trained academic researchers in clinical and basic science aspects of childhood cancer care (and most other pediatric specialists as well). Due to cutbacks, there has been a general reducation in clinical investigation and two very serious effects of reduced funding have been clinical training and clinical laboratory investigations training. Due to the lack of support for trainees there has been a marked reduction in the production of potential investigators for pediatric cancer. By "clinical laboratory investigation" I do not mean the kind of animal or drug testing which seems to have a priority for support by the Cancer Institute. I

mean, the kind of studies that are being done between the bedside and the research laboratory. These kind of studies are extremely important in understanding and being able to provide leads for more basic research. The trainees in the Childrens Cancer Study Group institutions are not only involved in clinical care, but also participate and are trained in the performance of clinical laboratory research investigations go hand-in-hand and desperately need support.

6) Increasing demands for quality control, data documentation and data review by the NCI has added a new area of expense for study groups which is not compensated for in the grant funding. Again, this will have to be absorbed by the institutions and study groups from their already limited budgets.

7) Basic research into mechanisms of cancer cause and prevention is being limited - these are the areas most likely to lead to the eradication of cancer.

Full funding of: Children's Cancer Study Group; Cancer Center Outreach Programs; Community Clinical Oncology Programs, when they become operational; and, increases in training grants would eliminate these deficiencies.

Cooperative Clinical Research is budgeted for fiscal 1983 at 36,000,000 of which 6,665,000 is for pediatric and adolescent cancer. To fully fund the pediatric and adolescent programs the amount should be increased by 1.2 million dollars.

Training awards restored to funding level for fiscal 1982 increase of 734,000 to 22,799,000.

Cancer Control. Full funding for all Centers and Community Clinical ONcology efforts to 28,344,000.

STATEMENT OF DR. ROBERT V. P. HUTTER

Mr. Chairman, Members of the Committee, as President of the American Cancer Society I am privileged to present testimony on behalf of the Society, a voluntary health agency with over 2 million active volunteers representing the grass roots of communities throughout the nation. The Society strongly supports a simple reauthorization of the National Cancer Act at a funding level that will permit the National Cancer Institute, and those of us who are practicing physicians working with people stricken by cancer, the opportunity to sustain the current momentum and further the progress made during the last decade.

I am here to report to you that during the last decade we have seen remarkable achievements in diagnosis and treatment, and in the prevention of death from cancer, as well as in the quality of life of those who have been cured. This is especially true for childhood cancers, which are among the most heart rending.

In 1960 if one of our children or grandchildren had acute lymphocytic leukemia that child would have had one chance in one hundred to live for 5 years, and in all likelihood would have been dead in a very few months. Today, 50% of young leukemic patients survive 5 years, and the results are still improving, in fact, now more than half of all children with a variety of cancers can expect to live a reasonably normal life free of cancer. Not long ago only 10 to 20% of children with cancers of bone or connective tissue such as Ewing's sarcoma and rhabdomyosarcoma were cured. Now, the combination of surgery, radiation, and chemotheraphy can cure 60-70% of these children. Surely these remarkable results are worth every dollar we have spent on research and treatment to attain them.

In 1982, 112,000 women will have newly diagnosed breast cancers -- one of every 11 newborn American girls will eventually develop breast cancer, and more than 37,000 American women will die of breast cancer this year. Today, the treatment of breast cancer is truly multidisciplinary and may involve combinations of surgery, radiation cytotoxic drugs, and hormones. The Breast Cancer Detection Demonstration Projects, sponsored by both the ACS and NCI, have shown conclusively that apparently health women can harbor incipient breast cancers which are detectable by screening programs using physical examination and X-ray mammography. The 5-year survival rate for cancers localized to the breast has increased from 78% in the 1940's to 87% today, and the early so-called minimal cancers such as those found in screening programs are 98% curable. Although the trends of improvement are already evident, the statistics documenting increased survival are expected to become even more dramatic in the next 5-10 years. This increased survival is coupled with innovations which enhance the quality of life for women with breast cancer. These innovations serve as incentives to earlier diagnosis of breast cancer for apparently healthy women, and they include reconstructive surgery often coupled with less frequently needed radical surgery making a diagnosis of breast cancer less feared. Women now feel more secure about doing breast self-examination, having physican examinations and using mammography: the winning combination to assure earlier detection and higher cure rates.

The cure rate of Hodgkin's disease, a cancer of the lymph glands, has increased from 40-67% in the last decade. Over 80% of patients with localized Hodgkin's disease are cured by radiation therapy, while half of those with advanced disease are surviving for longer periods with combinations of drugs. There are also several other cancers of the lymphatic system which are now being cured by radiation therapy and drugs. Diffuse histiocytic lymphoma, formerly one of the most life threatening of these cancers, can now be cured in half of all patients, by chemotheraphy.

Using 1973-1980 data from the NCI, we estimate that 45-50% of patients with serious cancers treated during this time will be cured. If we add to these serious cancers easily curable skin cancers and early cancers of the cervix, the cure rate would increase to over 60%! In the 1960's the 5-year survival rate for patients with soft tissue sarcomas treated with surgery only was 40%. Now, with the addition of chemotherapy and radiation, some studies initiated in the 1970's demonstrate disease free survival in excess of 80 percent. Prior to the mid 1970's, no effective treatment was known for small cell lung cancer. Now with appropriate radiation therapy and chemotherapy, as many as 25 percent of patients with this disease are alive and well two years after diagnosis.

These advances in cancer control have not come about by accident. They are the products of many years of dedicated basic and clinical research, supported by the government and the private sector. However, once the fruits of successful research have been harvested, they must be transferred to the medical resources in the local communities where this new knowledge can be used to save the lives of our immediate families and friends, since 90 percent of all cancer patients are treated in their local communities.

Before this national commitment, which was made possible by the wisdom of our legislators through the passage of the National Cancer Act of 1971, there were fewer than 100 medical oncologists (i.e., internists specializing in cancer) in the United States. Now there are more than 1,800 certified medical oncologists. Similarly, there were only 77 full-time specialists in radiation therapy in this whole country. Now there are more than 1,400. The number of comprehensive cancer centers has grown from 3 in 1971 to 20 today. Furthermore, the NCI supports an additional 41 specialized cancer research centers geographically distributed throughout our country, which serve as local resources to conduct clinical research, disseminate information on cancer, and transfer knowledge from the laboratory bench to the bedside of the patient. The progress I have described would not have been possible without federal funds. Those of us in the medical profession who are dedicated to the welfare of the cancer patient know that most of the monies available for cancer research come from the federal government and that there is no way those funds could be replaced by the private sector. For example, the ACS commits over 150 million dollars a year for programs in cancer research, education and service. Last year the National Cancer Institute budgeted nearly 1 billion dollars for research, cancer control, and technology transfer. Although the ACS programs are extremely effective, we simply could not raise the amount of money in the private sector to equal the support provided by federal programs. Although much has been accomplished much more needs to be done. This year more than 430,000 Americans will die of cancer. About 58 million Americans now living among us will eventually have cancer. Despite the advances in the treatment and cure of childhood cancers, this disease - cancer - still kills more children aged 3 to 14 years than any other disease.

For the benefit of the 835,000 Americans who this year will be diagnosed as having cancer, the commitment embodied in the coordinated attack on cancer must be continued. The ACS Public Issues Committee, of which I am a member, passed a resolution on February 3, 1982 endorsing a 1.2 billion dollar appropriation for the NCI for FY1983. This resolution was adopted by the National Board of Directors on February 5 and I am here today to bring their message to you. We did this because our more than 2 million volunteers, many of whom are your constituents, believe that such an appropriation would fully permit the NCI to fund the activities necessary to further progress in treating and preventing cancer.

In its Citizens' Budget for the NCI in FY 1981, the ACS recommended 1.035 billion dollars. We made the same recommendation for 1982. Although the Society has, over the years, consistently recommended a Citizens' Budget for the NCI which was in excess of the President's budget, the "no-increase" recommendation for FY 1982 was an attempt to respond to the acknowledged economic difficulties faced by the federal government at that time.

However, recent data indicate that the economic burden of cancer on industry, labor, and the country, as well as on individual family members, continues to increase dramatically and alarmingly. The Third National Cancer Survey reports that 3.5 billion dollars was spent in 1976 on hospital costs alone in the treatment of cancer. In 1975, it cost our nation between 13.7 and 17.1 billion dollars in loss of productivity and other indirect economic costs.

It is, in our estimation, tragically false economy to curtail our country's investment in cancer research when cancer continues unrelentingly to increase the cost to the nation socially, psychologically, physically, and economically.

In recommending the 1.2 billion dollars, the Society believes that the NCI would be able to fund the requests of the comprehensive cancer centers; would allow continuation of the organ site programs; and would permit the funding of an appropriate number of new, high quality, cancer research grant applications currently in the approved but unfunded category.

We have projected that 835,000 of our fellow Americans will have newly diagnosed cancers this year. We must do all we can to increase the cure rate of these people. At least 139,000 Americans, who could have been saved by early diagnosis and prompt treatment, will die of cancer in 1982. The mechanisms for technology transfer which were developed during the last decade must be reinforced if we are to avoid losing another 139,000 people, or more, in 1983, and in the years thereafter.

We must continue the progress started by sagacious legislation. There are 3 million Americans alive today after a diagnosis of cancer, and over 2 million were diagnosed more than 5 years ago. There is reason to believe that future research developments in areas we are now only beginning to explore will increase that number many fold, if we can continue to fund promising research. But we in the private sector cannot do it alone.

The explosion of biological knowledge in the past decade can be translated into clinical applications in diagnosis and treatment during this decade, if we stay on course. Here are just some of the areas now being explored by basic and clinical scientists:

Work with biological response modifiers (i.e., biological products derived from living cells, such as Interferon, has shown that these products in their present relatively impure form do have some anticancer activity in humans. We are hopeful that further research being conducted by both the ACS and NCI will lead to more pure and therapeutically active forms of Interferons.

Monoclonal antibodies are produced by a genetic fusion of cancer cells, which impart immortality, with disease fighting white blood cells, which produce antibodies. Monoclonal antibodies are specific antibodies tailored to seek out chosen targets such as cancer cells. These monoclonal antibodies can be used to find cancer cells which have spread to distant sites; and perhaps by tagging them with drugs or radioactive materials, they will be able to destroy the cancer cells.

Retinoids, synthetic "cousins" of Vitamin A, which have prevented cancers of the bladder and breast in mice and rats, may also be able to prevent cancers of the lung, esophagus, and pancreas in high risk humans. These pilot studies in humans must continue to be funded.

Basic research of cancer prevention may include the study and manipulation of "oncogenes," genes which are active during the rapid growth of fetal development and then become dormant. If these genes are later reactivated by radiation, chemicals, or viruses, the new growths they produce may be cancerous. Scientists have learned how to suppress the activation of these oncogenes in some animals, and are determining whether the same can be done in humans.

These are just a few of the new areas of research it is up to all of us, those in clinical practice and in research, as well as you who represent us in government, to make it possible to translate this promising research into lifesaving reality. We ask that you continue to help us to control cancer over the next decade, as you have over this past decade, through a responsible, reasonable, commitment of governmental funds which we believe will require not less than 1.2 billion dollars during 1983. We all have reason to be proud of the achievements made in cancer control, but we also have reason to lament the fact that while we are moving inexorably ahead, people continue to die from this dread disease - cancer! We must not find ourselves in this same room ten years from now talking of what might have been, or talking of the lives that were needlessly lost. We must move forward now! Thank you.

Statement of Dr. Robert C. Hickey

Mr. Chairman: Thank you and the committee for allowing me to comment. Damon Runyon, a respected writer, and Walter Winchell, a notable journalist, were men of great courage who dedicated a significant portion of their lives to the fight against cancer. Today, another man of unchallenged ability and an understanding of public sentiments is associated with the Damon Runyon-Walter Winchell Cancer Fund, our Honorary Chairman, Mr. Bob Hope.

It is significant that these men, who clearly are unsurpassed communicators with the general public, have lent their names to the cause of fighting cancer.

That is one reason that I think the Congress was right on target with the public interest when it passed the National Cancer Act of 1971 by an overwhelming majority.

I am a surgeon and the Executive Vice President of a comprehensive cancer center; I hope, however, that I may testify today on behalf of the cancer patient-- at home, in the out-patient clinic, or in the hospital. I choose not to fill the record with science. Rather, I thought it might be interesting to take a layman's view of the 1971 Report of the National Panel of Consultants on the Conquest of Cancer which was ordered by Senate Resolution 376 in the 92nd Congress, and authored by a good and long standing friend, Senator Ralph Yarborough of Texas.

Senate Resolution 376 grew out of hearings based on a book called, A Cure for Cancer, A National Goal, by Doctor Solomon Garb of Denver, who died in our hospital two months ago of the now relatively rare stomach cancer. To the end he spoke of his hope for drug research.

I was not one of that Panel of Consultants. The panel did include medical research administrators, bench scientists, men and women in investment banking, pharmaceuticals, diplomacy, journalism and trade unionists, a very well rounded group.

They hired a staff with experience in Navy R&D programming and research management. They started with information from a poll showing that 62% of the public feared cancer more than any other disease. They found that per capita spending in 1969 was $410 for national defense generally with $129 per capita going into the Viet Nam

War, $19 into space programs, $19 on foreign aid and 89 cents per capita for cancer research and control.

They noted that cancer deaths in 1968 were 8 times more than the lives lost in the six years of Viet Nam and 5 1/2 times the number killed that year in automobile accidents, a greater number than all those whose careers ended in death by World War II. The economics of cancer: then cancer costs were $15 billion per year, and now possibly $40 billion.

While the Panel of Consultants delivered a printed report of 376 pages to the Senate, a layman can get a good summary of the Panel's priority research recommendations on just one page. On page 3 they listed 11 areas of special research promise which they said must be agressively pursued.

Topping the list was, "The Identification and Study of the Chemical, Physical, and Other Environmental Factors That Cause Cancer..."

We now have a National Toxicology Program which spends about $50 million a year on this, and I'll discuss this point in a few moments.

Next on the list was viruses. NCI mounted the world's largest virus study program. The hope was to develop anticancer vaccines. We don't have any that are widely applicable. But NCI obeyed the Panel's mandate.

The huge virus program explored the cell wall, the genetics of the cell, how the virus infects the human cell reproductive system, what happens on the surface of cells which resist and which fail to resist viruses.

What has been the result? Most directly, in recent months NCI-supported research has identified a virus implicated in human leukemia. This is truly a major discovery. It is too early to determine what therapy will come of it.

This work was a major building block in the explosively important world of genetic engineering that has just opened, possibly the most important biomedical advance of the century. It is important that this Committee know that Daniel Nathans and Hamilton O. Smith, two Nobel Laureates, performed their genetic engineering research with NCI funding. It could be that this work is among the most substantial biomedical research ever supported by your appropriations.

I heard each of these men speak and they are modest men.

Another Nobel Laureate worked at the NCI, Baruch Blumberg; he is now at the Fox Chase Comprehensive Cancer Center in Philadelphia. His hepatitis Australian antigen studies may lead to an effective vaccine against liver cancer, a cancer disproportionately frequent in other parts of the world.

The next item on the Panel's list of research opportunities was a mixture which has not entirely been sorted out over the decade. It called for studies of "cell and tumor biology (including cell surface phenomena, molecular functions, differentiation and genic expression, controls of cell division, mechanisms of metastasis, nutritional requirements and other biological factors)..."

Much of that was subsumed under the virus program and some other parts of the mixture were explored under immunology funding. Mechanisms of metastasis, unfortunately, have resisted the most vigorous investigations, so far. But other parts of this topic have been explored with success, though not with the highly rewarding results produced under other items on the Panel's list. Metastasis research needs emphasis.

The next item on the list was immunology. We have learned a great deal about cancer immunology. The importance of nutrition and immunology is one example. But probably the single most important advance in immunology is the exploitation of interferon, a natural body product.

Interferon research has shown some effect in several cancers. A lot of excitement was stirred up over it. That was not bad. Interferon was known for years before anyone took it seriously. We needed something to get the work off the ground. When research began there was no standardized product. Without a standardized substance one can't get consistent or reliable research results. New York State's Roswell Park Memorial Institute is one of the producers of interferon now, as is the drug house, Hoffman La-Roche. It is possible to get pure, consistent interferon in this country. This was not true five years ago. I am sure that the early tests were conducted with interferon of only 1% purity. Now, with genetic engineering methods, we can produce interferon that is consistent, pure, and reliable. We don't have it in large amounts.

But, one can say certainly that the Panel of Consultants in 1970 were far seeing indeed, when they put immunology fourth on their list of areas of special research promise. We are engaged in manipulating interferon molecules, trying to unlock the secret of why it is clearly effective against the viruses of the common cold and why it works in some cancers better than in others. Our laboratories are studying not just interferon, but also other substances, which we now group under the heading of biological response modifiers. It is a new major part of the NCI work.

Next on the list is epidemiology. We have a long way to go in this. But we have come a long way. We now know for certain that there is a heavy family factor in several kinds of cancer. Now I know that this Committee hears certain medical words over and over; so often, in fact, that the meaning is dulled. Perhaps the best way to dramatize results of epidemiology research is to refer to a 1979 publication of the American Cancer Society which tells physicians the latest word on the family influence on cancer diagnosis and treatment. In the article it is pointed out that epidemiologists have found that only 4% of all colorectal cancers occur before age 45. But if families predisposed to this type of cancer are surveyed, the cancer appears among them at the average age of 45, or roughly 50% compared to 4%. This is of tremendous importance where physicians are aware of this possibility, because it means they will give special diagnostic attention to these families and more patients will be offered effective treatment. At last Thursday's surgical conference a 14 year old boy with colon cancer was discussed (the youngest we've seen), and the first question asked was about the family.

Some families show excess adenocarcinoma of the colon, ovary, thyroid, and breast. Some show early starting ages for cancers. We have a group of thyroid cancer first identified in 1959 as medullary thyroid cancers, under study.

Physicians are aware of special diagnostic steps that should be taken, what special care should be given, and through education the public is aware also.

In terms of relevance, the important thing about this 1979 article cited, is that it was based on 78 scientific papers, with the exception of some historic papers from the 19th Century, 80% of these articles were published after the 1971 National Cancer Act was passed. This is remarkable, a true accomplishment under the Act.

Time permitting, Mr. Chairman, I could go down the other six items on the Panel's priority list. In each case, I assure you, the National Cancer Program has followed these priorities, has been productive, and has made life-saving advances that pay back to the federal government in income and excise taxes alone the funding appropriated to NCI, plus much more. You heard detailed testimony last year on this return to the Federal Treasury by cancer survivors of dollars more than equivalent to those appropriated for cancer research.

The Damon-Runyon-Walter Winchell Cancer Fund is fully aware that there have been controversies surrounding the National Cancer Program. Some of them have drawn a good bit of this Committee's attention. For instance, the National Toxicology Program would not be where it is today if it weren't for Congress' initiative.All the criticism of that program when it was in the National Cancer Institute was not justified. But I do think that the program benefitted from Congressional attention.

Controversies over breast cancer exist. Newspaper headlines about unnecessary surgery were proven wrong. Again, criticism has been useful. There is scientific proof that thousands of women need not undergo radical surgery when they have breast cancer. At the same time cooperation between voluntary cancer groups and the government programmers has helped women begin the diagnostic process, self-screening if you will. Early discovery of breast cancer is one way women are avoiding radical surgery.

It has been suggested that mammography radiation is causing more breast cancer that it is helping to cure. Not true! But the controversy has led to a large and successful effort to reduce diagnostic radiation exposure to a tenth, or less, of what it once was. The controversy has been beneficial. As a matter of fact a new diagnostic technique for breast cancer has been perfected by my institution.

Mr. Chairman, the appropriations figures show that controversy has also been very damaging. It has given this Committee pause, and in so doing has deprived scientists and physicians of tools they were prepared to use against cancer.

There has been no real purchase power increase in the cancer research appropriations since at least 1978. Between 1978 and 1979 prices went up 11.5% and cancer appropriations 7.4%. In the next year inflation went up 12.4% and cancer appropriations 6.8%. In 1981, the inflation rate was 9.5%; and cancer appropriations went up 0.2%. Of course, as you know, since then the NCI budget has declined in current dollars as well as in inflation-corrected dollars. That's a 1.5% decline. And the President is proposing that it fall in 1983 4.6% under 1981.

What do these cuts mean?

+ They mean fewer clinical trials.
+ They mean fewer educational sessions.
+ They mean fewer documents to keep doctors updated on the latest treatments.
+ They mean some of the newer cancer centers started under the National Cancer Act may need to close.
+ They mean that many cancer control programs operated by comprehensive cancer centers, such as free diagnosis backup for the family physician, free interpretation of pathology slides to identify exactly what kind of cancer and what stage of cancer has struck the patient, periodic screening in local communities -- these and other cancer control services will be reduced or dropped.

Let me give you a real life example. NCI agreed that teenagers are a special cancer treatment problem. If you think the everyday life of a teenager is a problem to most families, imagine trying to get an adolescent to stay on a very tough chemotherapy regimen. If he accepts it, his life can be saved. If he rejects it, he probably has no chance. We designed a special adolescent cancer ward and have had no cases of refused therapy. That is very rare. There should be adolescent cancer wards wherever there is sufficient patient flow to warrant it. The Roswell Park Memorial Institute in Buffalo has another complete adolescent ward.

Because of reduced cancer control, reduced capacity to match each patient with the best possible protocol for him, we will not achieve in 1982 the five year patient survival of 45% that NCI says present knowledge would allow us to achieve if everyone got optimum treatment.

This year 430,000 cancer patients will die, or one every 73 seconds from this most feared of all diseases. The tragedy is that this is 139,000 more than is necessary, in terms of potential lives saved if each patient had the full benefit of present knowledge. It adds up to 380 unnecessary deaths per day, or the equivalent of wiping out the entire United States Senate in 3 hours and 15 minutes.

Please, not all of these unnecessary deaths can be attributed to lack of federal money. We do not have enough methods for proper and economical screening of people to locate the earliest cases of cancer. It surely means that we need more screening money, not less. We need more epidemiology money to identify family patterns of cancer, not less. We feel that the States, Communities, private philanthropy, voluntary health agencies, should also help.

Needed is at least $30 million for organ site programs. The NCI is now moving to eliminate those that have been in place for some years. These are headquartered off the Bethesda campus. These programs have been reviewed 11 times in 10 years, each time with the recommendation that they be continued or expanded. The large bowel task force has told us much of what we know about diet and cancer (correlation of roughage and fat and intestinal cancer).

The prostate cancer task force has produced the first new treatments for that disease in 20 years. As recently as a decade ago most prostate cancer patients could be offered very little hope for a normal life span. In a paper describing a two year Prostate Cancer Task Force clinical trial with 246 patients evaluated, it was proven that even patients with advanced, metastasized prostate cancer can be expected to survive four years at the rate of 42% if given a regime of cytoxan and extracyt. Up to now these cases were almost hopeless. These drugs are tested on patients with otherwise only a few months to live with standard therapy. But now that we know this works, we can administer it ethically to patients with less developed cases of cancer, less metastasized. It is only logical that our survival rates will continue to rise as we offer the regimen to patients with less severe disease. This will set a new standard. Ultimately we can offer other experimental regimens early and effectively.

The last time the organ site task forces were reviewed a consolidation of headquarters was suggested and this is acceptable to me as economic. Another review recommended that several new orgasn site or system programs be started, and I concur in this. It is remarkable that there is no precise organ site program in lung, the cancer with the fastest growing mortality rate. In 1979 the National Cancer Advisory Board recommended that a head and neck cancer task force be created. These two could be consolidated. This has not been done. More money is needed.

Chemoprevention of cancer was a hope of the 1960's. It is now a preclinical reality. I am convinced that it will be useful for humans before this decade is finished. The chemicals used are toxic. But we have learned to use many toxic chemicals in the treatment of cancer. We will learn in this area too, and save lives with chemoprevention, especially where we know persons carry special risks because of their family background or because of environmental exposures. Entirely new in this past decade has been finding that vitamin A derivatives are capable of reversing the growth of cancer in the intestines of laboratory animals. This is an important step forward.

Mr. Chairman, through all this controversy, attention given to the biggest boy on the block, the National Cancer Program has followed the priorities set by the Panel of Consultants. The nationa appropriation should be increased. Those funds will attract nonfederal support. Most people know that a cancer diagnosis is no longer an automatic death sentence. Counting all types of cancer, patients have a better than even chance of living their normal life spans under today's therapies. That's progress! More and more attention is going into problems of rehabilitation, because patients are surviving and need to adjust to their new lives. Admittedly, our greatest strides have been in childhood cancer; our concern is the second cancers caused by our therapy in those cured. A growing problem is discrimination in job and scholarship situations against former cancer patients, another sign of medical progess, since there are increasing numbers of survivors. Even the Army has sometimes discriminated against former patients among would-be recruits. All this will be cleared up as the world becomes more accustomed to long-term cancer patient survival.

Mr. Chairman, lacking a new authorization in a National Cancer extension law, I know it is a bit harder to arrive at a proper fiscal 1983 authorization. But there is the general research authorization for NIH as you are aware.

I think it is imperative that we rise up and do what the man in the street hopes we do and wants us to do, that is take advantage of every scientific opportunity to increase cancer survival.

The Comprehensive Cancer Centers and the specialist centers are likely to be adversely affected by insufficient funding. I think that funding should be closer to $100 million than the $75 million present funding, so we recommend $87 million for cancer centers. I think we need cooperative clinical trials, regional in nature, at least additive to the program of cooperative clinical research ($36 million) now supported. Construction has been reduced to $2 million and should be cut no more. We cannot stop building. Clincial education needs more than the Administration's $6 million. We recommend $8 million.

A productive aspect of NCI operations has been the organ site task force. Ones have been established in prostate, pancreas, bladder and large bowel cancers. Funding has exceeded $17 million but is now at $13 and is scheduled for $10 million. This is wrong. The many reviews of the organ site task force have invariably praised t hem in concept and usually in accomplishment. The most recent comprehensive review by nongovernment personnel recommended continuation of all the existing task forces and the creation of new ones, starting with one addressing cancers of the respiratory tract, including lung. A full program of organ site task force work would cost $30 million. We recommend this year $22 million for this purpose so the proposed task forces on lung and head and neck cancer can be started in fiscal 1983.

We need at least a 10% increase over the peak cancer appropriation for the purposes I have cited. We need $1.1 billion.

Mr. Chairman, the Congress was right when it enacted the 1971 law. Congress has been proven indubitably right in raising the NCI appropriations. We need to encourage and stimulate others to share the funding, and the follow-the-leader principle will prevail if we do. In Texas the state funding has far outpaced federal cancer program funding. The same is true in many other states. We need to get back on the track. We need to save those 139,000 patients a year who are needlessly dying and to move on to rescuing the many others who will be saved as our clinical trials bring in the life-saving data.

Thank you very much.

Robert C. Hickey, MD

Member of National Cancer Advisory Board

Executive Vice President University of Texas System Cancer Center (Houston)

Professor of Surgery, University of Texas

AB and MD, Cornell University

Bacteriology, anatomy and physiology training as an undergraduate

Medical intern at State University of Iowa

Marine Corps Lieutenant (radiology)

Residency at State University of Iowa

National Cancer Institute trainee 1949, 1950, 1951

Diplomate of American Board of Surgery
Licensed in California, Texas, Wisconsin

Formerly:
- Assistant Chief, Surgery, VA Hospital, Iowa City
- Associate Director, Research, U. of Tex. System Cancer Center
- Chairman of Surgery, U. of Wisconsin Medical School

Consultant to:
- End Results Group, NCI
- Cancer Control Committee, NCI
- Committee on Cancer, American College of Surgeons
- Career Development Review Branch, PHS
- Surgery Advisory Group, Food & Drug Administration
- Howard University Cancer Research Center
- Oncology Advisor, Virgin Islands Government
- Epidemiological Study Project, EPA

STATEMENT OF DR. TIMOTHY R. TALBOT, JR.

It is a pleasure and a privilege for us to be here to present to you the views of the Association of American Cancer Institutes (AACI) regarding the appropriations for the National Cancer Institute for the fiscal year 1983.

I am Dr. Timothy R. Talbot, Jr., Vice Chairman of the Board, and until recently the President of the Fox Chase Cancer Center in Philadelphia, and the current President of the AACI, and I am accompanied by Dr. Nathaniel Berlin, Director of the Cancer Center at Northwestern University. We are members of the AACI, which was formed in 1958 for the purpose of improving cooperation and exchange of information among cancer centers and the National Cancer Institute; and to work together for the encouragement of programs that will improve the National effort against cancer.

The membership of the AACI is composed of the chief executive officers, or their representatives, of about 65 cancer centers, including the 20 comprehensive cancer centers. Each of these comprehensive centers, which are recognized by the NCI, conducts programs in basic cancer research, research in patient treatment and diagnosis, and programs of community outreach. The other centers are also important, but less diversified, institutions devoted to either basic cancer research or clinical research, or both. Together these centers constitute a major resource and force in the nation for all of the programs fostered and supported by the NCI. A very large proportion of the important innovative research about cancer is conducted within these 65 cancer centers.

We are pleased to note that the formal statement of the NCI, in its presentation before your Subcommittee several weeks ago, stated that: "The Cancer Centers Program provides support for clinical and basic laboratory research through comprehensive cancer centers and specialized centers distributed throughout the nation. These centers promote a coordinated national effort on research in cancer related fields. Efforts include basic research in cancer biology, clinical research, and transfer of new knowledge to physicians in communities."

It is especially our wish to express our thanks to this Committee for your support, through appropriations, of the cancer program during the last two or more decades. This support preceded the passage of the National Cancer Act, and thus in an important way also coincides with the aims and objectives of the AACI, which go back as far as 1958. This Committee and our Association, therefore, share at least 20 years of a common concern.

We also wish to express our recognition of our National economic circumstances. We believe that benefit can result from a continual re-examination of our goals and objectives, with a concomitant examination of priorities and careful attention to a balanced relationship of expenditures to priorities. We have done our best to balance the welfare of the nation to our current economic realities, in our proposals.

This Committee has heard, during each year of the last two or more decades, an accounting of the advances that have been made during each of those years. Progress against ignorance is slowly achieved. More often than not, there is a gap of many years between each new understanding of biology and our ability to translate it into patient care. Cancer is just one part of the complex processes of Nature--but we are steadily gaining in our understanding of these processes. Great and exciting progress has been made during the last few years, and this offers great promise for the future--far greater than mankind ever dreamt of before.

Advances in Research

Advances made during the last 10 years include the following documented accomplishments, extracted from the report of Dr. Gerald Murphy, Director of the Roswell Park Memorial Institute, in May, 1981. This was based on a survey of all cancer centers in the nation.

Progress during the most recent year is also exciting, but the Committee must be aware that what has become visible, or recognized, during the past year has in almost all cases been the result of a decade or more of work that was in progress before it became visible or accepted. A few examples follow:

1. Hybridoma Research and Technology -- This has huge implications in all of the areas of diagnosis, treatment and the understanding of the entire field of cancer and biology. This includes the vast explosion of technology and knowledge about monoclonal antibodies in all of the areas mentioned above.

2. Prevention -- Many aspects of modern biochemistry and biology provide new clues to this complex field. So far, however, the greatest preventable cancer, lung cancer, has resisted societal and political circumstances because of the cigarette issue.

3. Cancer of the Liver -- Here we refer to cancer of the liver that originates in the liver, which is, therefore, called primary cancer of the liver. This is now known to be associated with the hepatitis B virus. Dr. Baruch S. Blumberg of the Fox Chase Cancer Center was awarded the Nobel Prize for his work which demonstrated the relationship of the hepatitis B virus to primary cancer of the liver. This also led to the development of a vaccine against hepatitis B. Although not common in the United States, primary cancer of the liver is the most common cause of death in other parts of the world, including Africa and China. Thus, the way is now open, with appropriate public health assistance and measures, to the prevention of one of the most common cancers in the world. It may be that this will lead to other similar understandings of the causes of cancer, but it is too soon to promise this.

4. Genetics and Cancer -- There has been a recent explosion of knowledge in this area, and many cancer centers and universities have contributed to this new awareness. This is extremely interesting and probably an important area, and much of the new information has

emerged from cancer centers. This includes the fields of chromosomes and cancer, oncogenes, the relationship of genetics to the environment, and the many interacting variables among these factors.

The above four examples are only a small segment of the advances of the past year. Each of the above examples has great implications for both diagnosis and treatment, since each contributes to our ability to define in detail the nature of each type of cancer and its response to treatment.

Other advances in biology have been made, which presage the potential of practical application. These range from characterization of immunological characteristics of various cell types in cancer and other diseases, to the reversibility of malignancy in certain types of teratocarcinoma in animals.

We are only beginning to realize the potential of these new advances in biomedical and cancer research. At the same time, we are continuing to develop better ways of taking care of the patients with cancer, both humanely and scientifically. But we are painfully aware that we are still at the threshold of where we hope to be. Because of this awareness, we believe that we must now allow our efforts to be diminished. We are dedicated to intelligent efforts, to a search for knowledge, to sensible priorities, and to fiscal responsibility and accountability. But those of us who have spent a lifetime in the pursuit of progress against cancer--and other diseases--find it hard to believe that we should retrench when the most exciting era of potential advances is before us.

RECOMMENDATIONS

We have a number of recommendations to make to this Committee regarding funding for the NCI.

1. Cancer Centers. Cancer centers are supported by grants known as Cancer Center Support Grants, also known as "core grants." For every four dollars of research grants (R-01 and P-01) there is now approximately one dollar in the cancer center support grants which have often been described as the "glue that holds a center together." This ratio has been decreasing slowly but steadily during the last few years (see accompanying graph and Table 1).

   We would like to report to you that the authorizing committee in the House has already begun steps to improve this situation. In the bill introduced by Mr. Waxman on March 22, 1982, HR 5919, the "Health Research Act of 1982," there is created a specific authorization for cancer center support grants. We note with pleasure that the bill establishes the authorization levels of $83,000,000 for fiscal year ending September 30, 1983; $93,000,000 for fiscal year ending 1984; and $103,000,000 for fiscal year ending 1985.

We hope that this proposed specific authorization will be included in the final authorization legislation as it emerges from the Congress. We recommend that if that occurs, in time for it to be considered in your markup of this appropriations bill, that your committee fully fund the centers to the authorized levels. In the event that the authorization bill has not been through the necessary legislative steps for you to appropriate funding specifically for such authorizations, then we request that the committee provide bill report language which calls attention to the issue of declining proportionality of such center grants in relation to all grants, and would be pleased to provide you and your staff such assistance as may be required to develop such language.

2. Centralized Patient Data System: We are pleased to note that in the NCI presentation to your committee, the statement is made that "support will continue for the Centralized Cancer Patient Data System" and we urge that this policy be given support by bill report language. Recent information leads us to question whether or not this long-term commitment of the NCI will be fulfilled.

3. 10% Cut in Indirect Costs. We note with alarm that there has been an Administration proposal that the indirect cost rate on research grants be reduced by 10%. This could have only one result, which would be the reduction of all biomedical research in the nation. It should also be pointed out that this is an ineffective way to effect cost savings. The indirect cost rate of every institution is individually determined, on the basis of individual needs of each institution, and individual accounting. To deal with such a complex array of diversity with a single "uniform" formula will result in a remarkable lack of uniformity of consequences.

4. Funding for the National Cancer Institute: We would like to call your attention to the fact that for fiscal year 1982 the NCI is currently operating under the Continuing Resolution, and the budget is less than for fiscal year 1981. We believe that this is having a very severe impact upon our ability to maintain the present research thrust. We recognize the fact that the Administration proposal seeks to add $12 million to the budget but we do not believe that is sufficient. We would like to suggest that the budget be raised such that approximately 50% of the approved grants be funded. This was condition that held in the not too distant past. We do this because we believe that if this continuing restriction occurs it will result in a substantial contraction in the biomedical research community, a contraction that has become very apparent amongst those who are engaged in clinical research and we believe will soon extend to those who engage in the basic science research. Further contraction of the cancer biomedical research community will have a very substantial adverse effect on our ability to translate a new knowledge being obtained in the laboratory to man.

We thus recommend an overall appropriation for the NCI at a level of the FY 1982 budget, plus sufficient amounts of funds to provide for inflationary increases and a 5% additional increase for new research opportunities.

Thank you for permitting us to give our views. We will be pleased to answer any questions you may have.

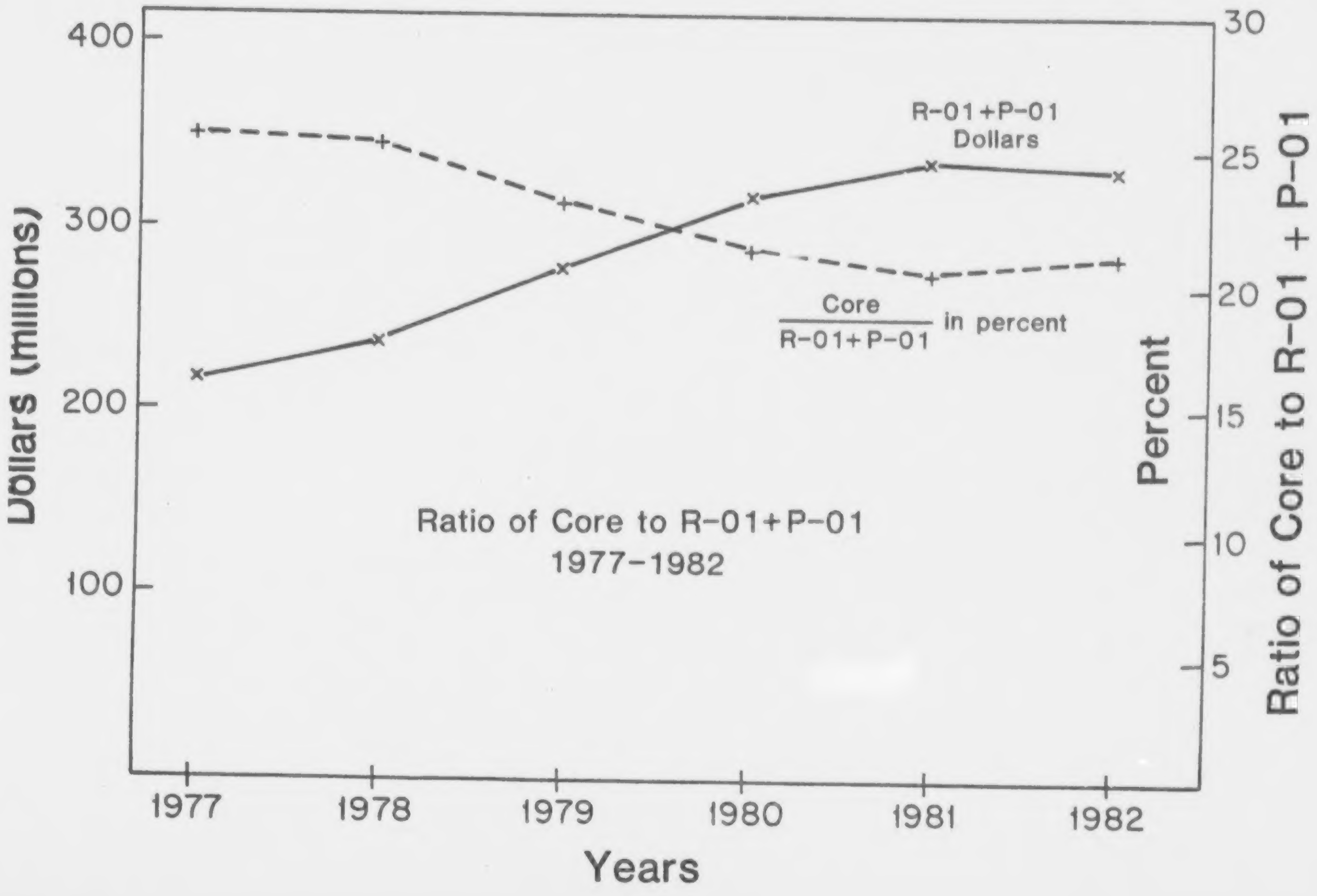
TABLE 1

RATIO OF CORE GRANTS TO R-01 + P-01 GRANTS -- 1977 to 1982

	R-01	P-01	TOTAL	CORE GRANTS **
1977	$135,995,000 (1901 Projects)	$81,211,000 (127 Projects)	$217,206,000 *	$55,132,000 (25.4%)
1978	$154,489,000 (1978 Projects)	$85,373,000 (121 Projects)	$239,862,000	$60,348,000 (25.2%)
1979	$183,154,000 (2107 Projects)	$91,782,000 (121 Projects)	$274,936,000	$64,364,000 (23.4%)
1980	$206,873,000 (2223 Projects)	$104,094,000 (140 Projects)	$310,967,000	$67,421,000 (21.7%)
1981	$229,103,000 (2305 Projects)	$115,311,000 (146 Projects)	$344,414,000	$70,829,000 (20.6%)
1982	$234,211,000 (2,191 Projects)	$106,112,000 (127 Projects)	$342,323,000	$72,131,000 (21.1%)

* Some Project Grants were reclassified to Core Grants in 1977.

** Includes exploratory grants.


Ratio of Core to R-01+P-01
1977-1982
Dollars (millions)
400
300
200
100
Percent
Ratio of Core to R-01 + P-01
30
25
20
15
10
5
R-01+P-01
Dollars
Core / R-01+P-01 in percent
1977
1978
1979
1980
1981
1982
Years

SUBCOMMITTEE RECESS

Senator **Burdick**. The subcommitee will stand in recess until Tuesday, May 4, when we will meet in this room at 9:30 a.m., to hear public witnesses on the National Heart, Lung, and Blood Institute, National Institute of Neurological and Communicated Disorders and Stroke, and the National Institute of Arthritis, Diabetes, Digestive, and Kidney Diseases.

The subcommittee is recessed.

[Whereupon, at 3:50 p.m., Monday, May 3, the subcommittee was recessed, to reconvene at 9:30 a.m., Tuesday, May 4.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

TUESDAY, MAY 4, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:30 a.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Thomas Eagleton presiding.

Present: Senators Schmitt, Rudman, and Eagleton.

NONDEPARTMENTAL WITNESSES

SUBCOMMITTEE PROCEDURE

Senator EAGLETON. Good morning, ladies and gentlemen. The Appropriations Subcommittee will once again be in session.

Today we conclude hearing from public witnesses with respect to matters pertaining to the National Institutes of Health. We'll hear from panels on the National Heart, Lung, and Blood Institute, the National Institute of Neurological and Communicative Disorders and Stroke, and the National Institute of Arthritis, Diabetes and Digestive and Kidney Diseases.

We have limited each panel to a 30-minute presentation before the subcommittee in order to accommodate the large number of witnesses. So let's turn, if we may, to our first panel, which is the National Heart, Lung and Blood Institute panel. Would that group come forward, please?

Well, we have a timer system here, folks. Please be seated. The green light says you've got 5 minutes and when the orange one goes on you have 1 minute left, and when the red one goes on, drop dead.

NATIONAL HEART, LUNG, AND BLOOD INSTITUTE PANEL

I have a brief introductory statement with respect to the National Heart, Lung, and Blood Institute. The subcommittee will hear testimony from representatives of the American Society of Hematology, the American Heart Association, the American College of Cardiology, the American Thoracic Society, the American College of Chest Physicians, and the Cystic Fibrosis Foundation.

If the witnesses for this panel will take their seats, your prepared statements will be printed in their entirety and you may proceed according to any arrangements that you've made amongst yourselves. We don't have name tags there. We have Dr. Jaffe, and then we have Dr. Jesse, Dr. Fox, Dr. Murray, Dr. Petty, and Mrs. Tulcin.

All right. You may proceed.

STATEMENT OF ERNST R. JAFFE, M.D., AMERICAN SOCIETY OF HEMATOLOGY AND PROFESSOR OF MEDICINE, ALBERT EINSTEIN COLLEGE OF MEDICINE

Dr. JAFFE. Since we went in that order, perhaps I could start, Mr. Chairman.

Thank you, Mr. Chairman, and members of this subcommittee for granting me the opportunity to present testimony in connection with the legislation for fiscal 1983 appropriations for the National Institutes of Health and especially the National Heart, Lung, and Blood Institute.

I am Dr. Ernst R. Jaffe, professor of medicine and head of the Division of Hematology at the Albert Einstein College of Medicine, Bronx, N.Y. I'm also chairman of the Public Education Committee of the American Society of Hematology and its president-elect.

I am therefore privileged to represent this society's 3,000 physicians and biomedical scientists who are deeply committed to research, patient care, and teaching as they relate to blood.

I would first like to express to you, Mr. Chairman, and your associates, our sincere appreciation for your staunch support and efforts on behalf of biomedical research and hematology. We greatly appreciate your commitment to the programs of the NIH.

I would request that the more detailed information that I've prepared be included in this hearing record. I will not, however, repeat this material now in order to conserve your time and not try your patience.

The four major points that I would like to make are:

One: Important and exciting advances have been made in the research programs relating to hematology, blood diseases, and blood resources:

(a) A promising new technique has been devised that should provide important information about the life-threatening iron overload that develops in patients with Cooley's anemia and other anemias requiring repeated blood transfusions. This noninvasive method can accurately measure the amount of iron in the liver and perhaps the heart. It will permit evaluation of present and new methods to remove excess iron from the body, but it will require more work to perfect and validate the procedure;

(b) Is the acquired knowledge about the coding material of the genes responsible for the manufacture of the oxygen-carrying hemoglobin in red blood cells and the regulatory systems involved may make it possible to evolve rational and safe means by which to treat patients with sickle cell anemia and Cooley's anemia by inducing their bone marrow to make more normal fetal hemoglobin to permit them to live more normal lives;

(c) Immune globulin from normal human plasma can now be prepared in sufficient quantities to permit clinical trials to see if it will protect patients who receive kidney, bone marrow, or heart transplants against severe, sometimes fatal infections with cytomegalovirus;

(d) A new enzyme has been isolated from the salivary gland of a leech which gives promise of providing a different and, perhaps, better means by which to dissolve blood clots even after they have formed or become lodged in the heart, lung, or brain.

These are just samples of recent advances. Some are nearing practical fruition. Others will require a great deal more work to perfect before they can be tried on patients.

Two: As recently recommended by the prestigious National Research Council, there must continue to be provided an irreducible number of trainees in basic biomedical disciplines, regardless of fluctuations in demand for short-term research needs to maintain the vigor of the national research endeavor. Research training grants and fellowships have supported at modest cost the post-doctoral research training of those eager to pursue academic research careers and to try out their unique ideas.

Please do not discourage them further by reducing again the support for research training. Maintain the commitment that has been made to provide a continuous though limited supply of future biomedical scientists for this generation and the next.

Three: Although NHLBI provides the largest share of funds for blood research, the NIADDKD and the NCI also have major commitments to the advancement of biomedical science in this area. We would very much like to see this multiplicity of support mechanisms for blood research continued. This concept has been clearly recognized by Congress, most recently in the ill-fated H.R. 4560 for the Department of Health and Human Services last year.

We hope, therefore, that language similar to what was contained in that bill's committee report as presented in my detailed testimony can be included in the present legislation to make it clear that blood, which is all-pervasive in both the body and the NIH, merits support wherever its disorders may become manifest.

Four: The American Society of Hematology would like to join with other organizations represented here today in urging that at least $620 million be appropriated for NHLBI for fiscal 1983, $420 million for the NIADDKD, and sufficient funds to provide the NCI with an appropriate cost of living increase, an additional 5 percent, to permit modest growth.

I thank you again, Mr. Chairman, for your patience, attention, and support.

Senator EAGLETON. Thank you, doctor. We'll hear from the entire panel and then I'll have two or three questions.

STATEMENT OF MARY JANE JESSE, M.D., PRESIDENT-ELECT, AMERICAN HEART ASSOCIATION

Dr. JESSE. I'm Dr. Mary Jane Jesse, president-elect of the American Heart Association, vice-chairman of pediatrics and professor of pediatrics cardiology at the University of Miami School of Medicine.

We appreciate the past support of this committee for biomedical research and for its application.

I'd like to emphasize four points and to support increased appropriations for the 1983 budget for the National Heart, Lung, and Blood Institute; for the National Institute for Neurological and Communicative Disorders, and Stroke; and the National Library of Medicine.

The first point, as you know, is that cardiovascular deaths have declined by 27 percent in this country in the past decade. This is equal to or greater than any such decline in cardiovascular mortality in the world. The reduction has occurred largely because of what we've learned about a process known as atherosclerosis in which the arteries which supply the heart and brain become clogged with fat.

As a result of the knowledge gained from research, many deaths from heart attacks and strokes have been prevented. This research which has contributed to the reduction in mortality began in the fifties, continued through the sixties and into the last decade.

More than 1 million American lives have been saved during the past decade alone. To continue these downward trends, we must plant new seeds in our basic research program. We must not, indeed we cannot, sacrifice our future health programs by failing to support the broad-based research aimed at the prevention of disease.

Basic research has brought us to a better understanding of atherosclerosis. New imaging techniques let us study directly the progression and regression of the disease in the blood vessels before heart attacks and strokes occur. If we were to begin these studies now we would see the results in the ninties.

The second point. While we've made remarkable progress, cardiovascular disease remains our No. 1 killer. Nearly 1 million Americans died last year alone, more than two times the next leading cause of death. All the new initiatives proposed are aimed at better understanding of the basic mechanism of the disease processes in order to further reduce this staggering mortality.

The third point. In science, basic advances don't occur in a smooth continuum. The advances culminate by reaching the peak at which time we can apply the knowledge gained to make a giant stride forward. I believe we have reached such a time in our understanding of atherosclerosis. We face a unique challenge, a window of opportunity, if you will, which will advance our ability to study and prevent this disease.

In the next few decades we risk bankrupting medicaid and medicare systems because of the immense cost of hospitalizing our aging population, largely because of heart attacks and strokes. So the investment we make in impeding the course of atherosclerosis can be directly translated into reducing deaths, disability and will, in turn, save millions of tax dollars otherwise spent in long-term care.

The fourth point. While I recognize the difficult economic times we face as a nation, I believe we must now commit greater support to new and important scientific initiatives.

I offer the following:

One: Studying the process of atherosclerosis directly in blood vessels using new computer imaging techniques. Such research can be performed in small focused studies on a short-term basis at far less cost than in the past.

Two: Earlier recognition of precursors of high blood pressure, especially those influences which arise from the central nervous system.

Three: We need to learn the cause of abnormal heart rhythms which lead to sudden death. We must identify the individuals who suffer these abnormalities and find new ways to treat them.

Four: New programs are needed to prevent young people from beginning to smoke and to help current smokers to quit. Cigarette smoking is a major risk factor in heart attack and in stroke and it is the chief single avoidable cause of death in our society.

We need to develop new studies to learn how to dissolve clots in areas of the heart with enzymes such as streptokinase. Cardiomyopathy are diseases of heart muscle which are occurring, unfortunately, with increasing frequency about which little is known.

We need to learn the cause and the means for their effective treatment and prevention.

Against this background, then, we ask for support on appropriations for fiscal 1983 as follows:

For the National Heart, Lung, and Blood Institute, $632 million, to begin new initiatives, to continue important basic and clinical research, and to train future generations of scientists.

For the National Institute of Neurological and Communicative Disorders and Stroke, $285 million.

For the National Library of Medicine, $50.5 million to serve in gathering and distributing scientific information.

In summary, in order to continue into the eighties and the nineties, indeed into the 21st century, the remarkable progress which we've already made in reducing death and disability from heart attack and stroke in the past decade we must now sow new seeds in basic and clinical medical research. We must begin initiatives which will apply what we have already learned. We must take advantage of the current window of opportunity and move forward to utilize our new biological understanding to improve the health of the population of this country. For these programs, we need increased funding requested for fiscal 1983. Thank you.

Senator EAGLETON. Thank you, doctor.

STATEMENT OF SAMUEL M. FOX, III, M.D., PAST PRESIDENT, AMERICAN COLLEGE OF CARDIOLOGY

Dr. FOX. Thank you, Senator Eagleton. I am Dr. Samuel M. Fox, professor of medicine, Georgetown University School of Medicine and director of its preventive cardiology and cardiology exercise programs. I appear before you today representing the 11,500 member American College of Cardiology of which I am a past president. My remarks will focus on issues relative to the National Heart, Lung, and Blood Institute.

We also appreciate the support of this committee and its members in the past.

Before commenting specifically on budget issues relative to the National Heart, Lung, and Blood Institute, however, I would like to place our concerns in perspective with some considerations of the responsibilities of the institute and the impact of its accomplishments and potential programs. It needs to be emphasized, we believe, for example, that the National Heart, Lung, and Blood Institute's responsibility is, indeed, very broad.

Four of the leading causes of death in the United States are problems within the purview of the institute—disease of the heart, No. 1; cerebrovascular diseases, No. 3; chronic obstructive lung disease, No. 6; and arteriosclerosis, No. 9.

Diseases of the heart and blood vessels affect at least 40 million Americans. Cardiovascular diseases rank first in cause of death, limitation of activity, short stay hospital discharges and hospital days, and also in regard to disabled worker benefits.

More than 200,000 of the cardiovascular deaths occur before age 65. More than 49 million hospital days and 55 million physician office visits in 1978—the most recent year in which data is available—were attributed to cardiovascular disease and this has probably increased since 1978. I say probably increased because, as Dr. Jesse indicated, there has been a reduction in some of the problems in cardiovascular disease as a result of the support you have provided through the research effort and it may be that there are appreciable savings in funds and hospital days and other costs to society resulting therefrom.

The total economic burden of cardiovascular disorder is estimated to be more than $75 billion annually, over one-fifth of the total cost of illness in 1980 dollars.

In light of this broad responsibility, it is pertinent to consider the Heart, Lung, Blood Institute funding for the past 5 years as compared with some of the other institutes. This comparison shows that the differences between the fiscal 1977 budget and the administration's proposed budget for fiscal 1983 are plus 45 percent for the Heart, Lung, and Blood Institute, versus 80.6 percent, for example, for the nine smaller institutes. When one considers the productivity of the research of which Dr. Jesse also alluded, particularly in the cardiovascular field and the reality, that 4 of the 10 leading causes of death in the United States are problems within the purview of the NHLBI, the disparity is even more glaring.

We submit that the NHLBI funding growth has not kept pace with the large majority of the other institutes; and, it would seem that inequities have occurred.

In terms of accomplishments, the productivity of the institute's basic and clinical research projects, demonstration, prevention, and education programs toward the amelioration of the severe consequences of heart, lung, and blood diseases have indeed been outstanding. As has been presented previously, the decline in deaths from heart attack and stroke in the United States that began in the late sixties, very possibly in the fifties, has appeared to continue even at an accelerated pace even through 1981. The many reasons for these declines all had their genesis in a sustaining Federal commitment to research. A specific example is in the therapy of heart attacks. The length of hospital stay for heart attacks has decreased markedly and early return to work has become more common. During the acute period, the use of the nitrate drugs, with the potential for limiting the size of the destroyed heart muscle, has become widely practiced. Such changes in practice have resulted from research on preventing the deleterious effects of blood deprivation on heart muscle, the safety of early ambulation and information from clinical trials on various medications; and, have led to an increased quality of life as well as a reduction in the economic burden of heart attacks. The findings of a recent clinical trial on the beneficial effect of a beta-blocking drug on post-heart attack mortality are now beginning to be translated into common practice throughout the United States. Physicians are eager to have guidance on how to prevent mobidity and mortality. The information which derives from such well conceived and documented studies such as those performed under the auspices of the institute are particularly well received and adhered to.

To achieve an even clearer picture of the magnitude and importance of the institute's charge, it is important to know not only what has been accomplished to date, and what is ongoing, but what might have been. Had funding been available, certain projects which already have received peer review and advisory committee approval and projects which are deemed essential for improving the quality of care provided our citizens through understanding mechanisms of disease and the effects of diverse therapeutic regimens might have been started but were not because of funding limitations.

One of these of particular importance is the question of the use of fibroalytics or clot dissolving agents instilled directly into the coronary artery. This is of great concern because of the tremendous impact in increased facilities that might be involved.

In the final minute I would like to present a summary of our recommendations for fiscal year 1983. We suggest that a funding level for the National Heart, Lung, and Blood Institute at a level at least in excess of $597 million would be appropriate for 1983. The college recommends that the national research service awards allocation for the Heart, Lung, and Blood Institute receive a 15-percent increase in fiscal 1983 over the funding level for 1982. This recommendation is made in response to the critical societal issues represented by a decline in number of physicians pursuing research careers, a loss that is ill-timed at this juncture.

We also support funding for the National Library of Medicine at a level of $49 million. Thank you, sir.

Senator EAGLETON. Thank you very much, doctor.

We will hear now from Mrs. Tulcin, of the National Cystic Fibrosis Foundation.

STATEMENT OF DORIS F. TULCIN, NATIONAL PRESIDENT, CYSTIC FIBROSIS FOUNDATION

Mrs. TULCIN. Thank you, Mr. Chairman.

My name is Doris Tulcin and I'm president of the Cystic Fibrosis Foundation. I'm pleased to have this opportunity to talk to you about the fiscal year 1983 budget for the National Institutes of Health.

Cystic fibrosis is frequently described as the most common fatal genetic disease in America, affecting 1 in every 1,800 newborns. As a parent of a young woman 29 years old with cystic fibrosis, I can't accept that definition as it is. To do so would be an admission of failure and I wouldn't be here if I didn't have hope. I prefer to define cystic fibrosis as a not yet curable disease that will continue to kill those born with it until research finds a way to save their lives.

Many members of the Congress took the time a few weeks ago to meet the three CF national poster children, the 5-year-old Pearce twins and their 7-year-old brother. They look like normal healthy kids, but in fact they may have already lived a quarter of their lives.

Researchers supported by NIH and by our foundation are into such important areas of basic research as well as to the clinical problems of translating new research findings into better care for patients. There are some promising leads in genetics but we are still at least several years away from tests to identify who among us are the asymptomatic carriers of the CF gene or to detect the disease in utero.

The members of this subcommittee have historically been among the leaders in responding to these research needs. In fact, from 1945 to 1980, Congress increased the budget for NIH over that proposed by the President every year but one. Once again, last year this subcommittee recommended an increase for the NIH. Unfortunately, that bill has never reached the Senate floor and NIH is being funded under the continuing resolution at an amount below what President Reagan asked for last March.

We hope that this subcommittee support for NIH will soon be presented to the full Senate for approval.

However, despite your actions, the recent funding of NIH has been very disappointing. We have prepared charts which are attached to our formal testimony to show the magnitude of recent program cuts in our health research enterprise.

In the first chart, the NIH budget for the past 5 years and for fiscal year 1983 has been expressed in constant 1983 dollars. Since 1979, there's been a steady reduction in the total real level of activity at NIH totaling over 15 percent in only 4 years.

There are two points that I would like to emphasize. First, despite the increases recommended last year by this subcommittee over the President's 1982 fiscal year budget, the effect of the current continuing resolution is that 1982 budget is the first year since 1961 that Congress has approved less money for NIH than the President requested in his original budget message.

Also, the final level in fiscal year 1981 was below that approved by this subcommittee because of the rescission package last year.

Second, while the President's fiscal 1983 budget has $3.749 billion for NIH is inadequate, freezing NIH for fiscal year 1983 at the current level of $3.64 billion would be even more devastating.

There has been much talk about freezing all discretionary health programs for next year. Research can't simply be turned on and off from one year to the next. We urge you in the strongest terms to reject an NIH freeze.

Our second chart shows the NIH budget as a percentage of our Nation's overall spending on health from all sources. Such a comparison is relevant because NIH is the principal source of health research in the country. In other sections of the economy they rely on technological advances, whether computers or anything else, private corporations reinvest a portion of their income into R&D to build for the future. In health, by contrast, this is not feasible.

A sharp decline since 1979 in the percentage of each health dollar spent in this country that goes to NIH research is what we're looking at. From 1975 to 1979 the NIH budget was between 1.5 percent and 1.6 percent of total health spending. The figure turned downward in 1980, and has fallen by over a fourth, to only 1.11 percent in the President's budget. If we were still supporting NIH as we did just a few years ago, the President's budget would contain over $5 billion for NIH.

We believe that the 1975–79 level of research funding of 1.5 percent or more of national health spending was a responsible one.

I'd like to present our foundation's recommendations for NIH funding for fiscal year 1983. For NIH overall, we believe that $4.10 billion is justified. This would restore the NIH only to about its 1981 level of activity. At this level, NIH would be able to get back to the stability goals endorsed by this subcommittee in the past and begin to reduce the backlog of priority clinical trials. This funding level would be a clear statement that Congress intends to stop the downward slide in health research.

Within that total, we request for the National Heart, Lung, and Blood Institute, $625 million; for the National Institute of Arthritis, Diabetes, Digestive, and Kidney Diseases, $420 million; and for the National Institute of Allergy and Infectious Diseases, $255 million.

In conclusion, we have been spending less for health research in recent years than we should have been. Available scientific opportunities can lead to answers to the problems of cystic fibrosis and other health concerns and that investment should be increased. As long as children continue to be born with cystic fibrosis and other diseases, we as a society have a responsibility to do everything we can to enable them to live the same full lives the rest of us take for granted. Thank you.

Senator EAGLETON. Thank you, Mrs. Tulcin.

STATEMENT OF THOMAS PETTY, M.D., F.C.C.P., PRESIDENT, AMERICAN COLLEGE OF CHEST PHYSICIANS

Mr. PETTY. Mr. Chairman and members of the subcommittee, I'm Dr. Tom Petty, president of the American College of Chest Physicians and I'm also professor of medicine and anesthesiology at the University of Colorado and head of the Division of Pulmonary Sciences at the Health Sciences Center. I'm submitting my testimony on behalf of the American College of Chest Physicians, representing 11,000 pulmonologists, cardiologists, and thoracic surgeons. Many of these are leaders in research educational efforts that will some day stem the tide of heart and lung diseases.

I'd like to focus on the lung disease challenge because I think we're on the threshold of opportunity to do something major to reduce the health and economic impact of lung disease in the United States.

These lung diseases are almost household words today—emphysema, chronic bronchitis, bronchial asthma, so-called occupational lung diseases, scarring fibrotic diseases, lung cancer, tuberculosis, and cystic fibrosis. That's quite a lineup of diseases that affect the health and productivity of our society.

Conversely, lung health is absolutely fundamental to the productivity of members of our society, throughout the work force particularly. Lung disease also threatens our aging population. We look at emphysema and chronic bronchitis, that's a 30- to 40-year disease process that evolves over time. Emphysema has been considered premature aging of the lung. That's not a bad idea and I think we must find out how the lung responds to injury, how it responds to age, how it responds to the environment, and how it is attacked by cigarette smoke, which clearly is the greatest threat to all of our health from external causes.

We're also very interested in the problem of acute respiratory failure where the lungs and heart and lungs together fail to support life. That can happen to any of us with any major ailments, any major metabolic disorder, any serious infection, any trauma that is entirely unsuspected. So everyone in this room is potentially vulnerable to respiratory failure.

I think that we're on the threshold of just beginning to understand how the lung responds to injury and how it repairs itself. This calls for effort in scientific research in support of young investigators and in new research initiatives.

I also think it is time—and many agree with me—to make it a major initiative in terms of preventive lung health. I think we could go out today with simple tools to identify abnormalities in terms of lung function and do something to reduce the impact of emphysema as a major health problem in the United States. I think we could protect our workers in industry if we would simply use simple office devices to identify lung capacity abnormalities.

Unfortunately, this is not done regularly and it could be. I think we could parallel the advances made in the control of hypertension and the reduction of the impact of cardiovascular disease with applying simple techniques, perhaps some behavioral modification courses, and take a systems approach to our health problems in the lungs and heart and lungs together.

Now I'd like to emphasize the importance of supporting young investigators that have already been mentioned by my colleagues. This is the investment in the future. These young people are excited about what they're doing. Almost every day they come into my office with some new idea that's worthy of pursuit. They're looking at genetic abnormalities relative to diseases like cystic fibrosis, for example, or why some people smoke and don't get away with it and others smoke and do get away with it, which I think is of major importance, or a look at how the lung responds to the stresses of environment.

Now we're dismayed over the fact that perhaps as low as 25 percent of meritorious grants will be funded this year. It has to be more than that. It needs to be back up to the 40- and 50-percent level that it was in the years past. We need to give encouragement to young investigators in heart and lung working together to begin to solve our health problems.

Frankly, I'm very appreciative of the committee's time to hear the views of the American College of Chest Physicians and I'm very enthusiastic about what can be done with an upfront approach to research and the support of young investigators to reduce the impact of heart and lung diseases. Thank you very much.

Senator EAGLETON. Thank you very much, doctor.

STATEMENT OF JOHN F. MURRAY, M.D., AMERICAN LUNG ASSOCIATION AND AMERICAN THORACIC SOCIETY

Dr. MURRAY. Thank you, Senator Eagleton.

I am Dr. John F. Murray, a physician specializing in diseases of the lung and professor of medicine at the University of California San Francisco School of Medicine. I'm president of the American Thoracic Society, a professional organization of 8,500 physicians and scientists who are dedicated to acquisition and dissemination of knowledge about the lung. I'm also a member of the Board of Directors of the American Lung Association which is the Nation's oldest voluntary health agency which is committed to the prevention and control of lung disease.

My remarks today will focus on highlighting on special opportunities in lung disease research and preventive programs. Supplementary material has been submitted to you for the record that will provide additional background information.

Lung diseases are a devastating health problem in the United States. They rank third among the leading causes of death. Chronic respiratory symptoms are now reported by one of every five persons in this country. Worse, while there has been a decline in the mortality from all causes of death and in heart disease which you have just heard about, the mortality from lung disease has continued to rise. The annual cost of lung disease has been estimated at $45 billion. But grim as these facts may seem, the situation is not hopeless.

Basic and applied lung research supported predominantly by the Federal Government has already greatly improved detection and treatment of many diseases. Furthermore, as Dr. Petty has just told you, there are many exciting advances in our understanding of lung function that are at the threshold of being translated into new forms of treatment for patients with lung disease.

The lung research program within the National Heart, Lung, and Blood Institute has proved to be a scientifically advanced and fiscally sound program that has led to new understanding of such diseases as chronic bronchitis, asthma, emphysema, and pulmonary fibrosis. However, this institute and its division of lung diseases which have made such tremendous advances have seen its budget adjusted for inflation decline by 18 percent since 1979.

Moreover, the NHLBI will be forced to fund 192 fewer research grants this year than in 1979. Just to meet all of its present commitments, a minimum budget of $596 million rather than the $577 million requested by the President would be required for NHLBI. Yet this is the institute responsible for new advances in dealing with America's No. 1 killer, heart disease; and No. 3 killer, lung disease. A budget that would allow for real growth in the research opportunities of NHLBI would be a truly cost effective investment in terms of health care economics. To provide for modest growth the ALA and ATS strongly recommend that the fiscal 1983 appropriation for NHLBI be $635 million. This amount would result in some growth in resources available to the Division of Lung Diseases due to the provision in the law that states that at least 15 percent of the funds expended for extramural research programs of NHLBI must be for lung programs.

However, this modest growth in lung research funding would not permit a major step that, in our opinion, would make a substantial improvement in the prevention and control of lung disease. The knowledge is at hand to mount a sorely needed attack on chronic obstructive lung disease which includes emphysema and bronchitis, as Dr. Petty has just described. This is the fastest rising major cause of death in the United States.

Similar strategies can be applied to cystic fibrosis, the most common not-yet-curable respiratory disease of children.

Because the regular NHLBI budget cannot be stretched to cover the major new initiatives that are needed against emphysema, bronchitis, and cystic fibrosis, an additional special sum above the regular institute budget should be earmarked for that purpose. Such an offensive would make it possible to reverse the emphysema trend by 1990.

The ALA and ATS recommend that an additional $15 million above whatever Congress approved as NHLBI's appropriation for fiscal year 1983 be designated as a set-aside to fund new initiatives against emphysema, bronchitis, and cystic fibrosis.

Mr. Chairman, my remarks have been addressed primarily to research related to lung diseases, but the difficulties that we are experiencing are those of all biomedical research. In fiscal 1981, 5,109 of the approved research grants were funded by NIH. In fiscal 1982 the number decreased to 4,741. Under the President's proposed fiscal 1983 budget, they would decrease further to 4,100. Thus, in only 3 years, there may be a 20-percent reduction in the Nation's biomedical research activity.

The implications of this decrease in the development of new knowledge for the future health of Americans is clear. We are concerned that uncertain or unrealistically low funding could dismantle productive programs, discourage young physicians from embarking on a research career, and result in missed research opportunities and a loss of momentum that took more than a decade to develop and could take many years to regain.

Thank you for allowing me to speak.

QUESTIONS

Senator EAGLETON. Thank you, doctor.

I'll ask a couple of questions and all six panelists need not answer, especially if your answers are duplicative of one of the others.

Let me read to the panel some excerpts from an article in the New England Journal of Medicine dated February 16, 1981 by Dr. Donald Fredrickson, a previous director of the National Institutes of Health. His article was entitled, "Biomedical Research in the 1980's." It's a rather lengthy article, several pages, but I'll just read some excerpts and then those of you who wish to answer or respond to it, I'd like to hear from you; but I repeat, all six of you need not testify if the answers would be cumulative.

Dr. Fredrickson writes as follows:

> The share of NIH research dollars for investigator initiated research through research project grants has been preferentially protected, whereas the shares going to clinical trials, developmental work under contract, categorical research centers, communal resources, control programs and other forms of scientific endeavor had declined.

And a little later he writes:

> In the long term, the most devastating effects of financial instability is the discouragement of the young from entering scientific research. The best NIH figures suggest a loss of up to 10 percent of these scientists whom we support each year.

A little later on he writes:

> The numbers of trainees maintained by the NIH on training grants and fellowships today is about half the numbers supported in 1965. A disturbing feature has been added to the problems of replacement of scientists in the existing system of inquiry. Physicians and dentists are losing interest in being clinical investigators.

That's a rather long quote, but I thought those were some very interesting observations from one certainly qualified by experience and expertise to make such observations. Would any of you care to comment on that quote or series of quotes?

Dr. MURRAY. Well, that article was published in 1981, which means it was written probably in 1980, and since that time the figures that I provided you with a moment ago show that there, in fact, has been a striking decrease in the number of investigator initiated grants funded in the National Institutes of Health; some 5,109 in 1981; 4,741 this year; and a projected further decrease to 4,100 next year. So there is a decline in the investigator initiated research grants that have been supported in the last few years.

There's no question that this is having a colossal impact on the entry of young physicians into biomedical research.

Senator EAGLETON. Is that matter solely or singly attributable to a more limited amount of dollars for clinical research or is it a more complex answer than that, meaning is there also a factor of physician income, disparity between earned income in clinical research on the one hand versus private practice on the other?

Dr. MURRAY. That's part of the equation, too. There are a number of pressures that young people feel when choosing a research career. Economics is part of the story but the ability to get ahead in a chosen career is another part of the story. You opt for academic research but you find your options thwarted by limited funding and then obviously this is going to have an effect.

Senator EAGLETON. Dr. Jaffe.

Dr. JAFFE. I'd just like to add my comments to that. I think it's perfectly true the problem is becoming worse, but one of the comments that have been made is that fewer and fewer physicians are going into research.

While this is true on the overall statistics, there are certain areas, for example blood research, where the number of physicians going into the research has been maintained at a reasonably stable level. While economics are certainly an important consideration, I think probably the most important factor is the on-again-off-again funding of research which discourages them to the point where they say, "Why bother? I'll go into private practice." There are young people who are physicians and Ph. D.'s who want to do research, but they look at their mentors spending countless hours writing and rewriting grant applications which are approved and not funded. That is very demoralizing.

Senator EAGLETON. Dr. Jesse.

Dr. JESSE. Let me just comment that we have no problem with the number of people applying for fellowship training in cardiopulmonary diseases. It is very discouraging, one, not to be able to get that fellowship, and that will stop you in your tracks before you ever start; and second, once one has finished one's training, I can tell you, having had the experience, that if you write one, two, three, four, five applications, continually get ultimately you know a good priority, and you cannot get funding, you will have, in effect, been stopped in your tracks again. The impact is incredible and if we don't do something about rescuing that particular issue, all of the major categorical projects will come to nought because we won't have anybody to do them.

Dr. FOX. I concur with the comments of my colleagues who wish to emphasize that there have been tremendous strides taken in the area of prevention of the cardiovascular diseases. Dr. Petty and others mentioned the control of hypertension. Likewise, there are studies indicating that alterations in diet are indeed rewarded by a reduction in the incidence of first heart attacks. But it's very difficult to attract the young investigator in this field because the time of maturation of research efforts and the training involved in this area superimposed upon the training in the current techniques in cardiology is a long course for which we do not have adequate funding, and I would enter a plea there specifically that we try to see to it that there is a continuing and enhanced program of training in the preventive aspects of cardiopulmonary and blood diseases. Thank you.

Senator EAGLETON. Mrs. Tulcin.

Mrs. TULCIN. Briefly, funding stability is truly the crucial issue here and when you suggested that the clinical trials and the contracts have been cut, this was done in order to stretch the dollars and reallocate them because from a mandate of 5,000 that are ones that are investigator initiated research, the money had to come from somewhere and if there wasn't additional money, then there had to be cuts in the other very, very crucial programs. And it took the flexibility away from the institutes to be able to do these very, very crucial trials and contracts and center programs and that is why the funding stability for the institutes is a crucial issue.

Senator EAGLETON. Dr. Petty.

Dr. PETTY. The young investigator today is looking for a continued commitment to biomedical research that has been so successful in the past. It's really that simple, and as soon as they can see that even in this era of fiscal constraints that we all have to accept, they see that coming, but I think the matter will be turned around as more and more M.D. clinical investigators will be encouraged to continue their career.

Senator EAGLETON. Examining the growth in funding for the various institutes of health, we come up with some somewhat interesting statistics which I'd like some of you to comment upon.

The period of research was 1969 through 1979 and we used 1969 constant dollars, a 10-year timeframe, a decade. During the period 1969 to 1979 in constant 1969 dollars, the National Cancer Institute experienced a 171-percent increase. The institute about which all of you testified today, the Heart, Lung, and Blood, experienced a 70-percent increase in constant dollars. Yet the General Medical Sciences Institute had a 7-percent decline in constant dollars during that same 10-year period.

I've got all of them here, but in the interest of time I won't read them all off, but there's wide disparities between Cancer, 171 percent; Eye, 165 percent; I mentioned Heart, 70 percent; Arthritis, 17 percent; but General Medical Sciences, minus 7 percent. If I look down the list it's the only minus.

Would any of you care to comment on that aberration?

Dr. FOX. Yes, Senator. As I mentioned in my testimony, this is of concern and in the area of heart, lung, and blood diseases where so much has been accomplished and the mortality statistics clearly indicate the accomplishments, and we have so many questions that are clearly relevant and lend themselves to investigative definition, it is most unfortunate there hasn't been a more adequate expansion of the research base and of the training base that provides the investigators to pursue these research efforts.

Senator EAGLETON. Well, would this be an appropriate interpretation; that since the Institute of General Medical Sciences is the one institute of NIH that is almost totally, if not totally, basic research, as opposed to more romantic and sexier applied research, that these funding disparities reflect our getting carried away with targeted, mission oriented instant solution, instant cure research as opposed to the fundamentals of basic research? Would that be an unfair accusation?

Dr. JESSE. Yes, sir.

Senator EAGLETON. It would be unfair?

Dr. JESSE. It sure would. The National Cancer Institute, the National Heart, Lung, and Blood Institute, the National Eye Institute, Arthritis and Metabolic Disease all support very fundamental basic research.

Senator EAGLETON. Well, I'll correct my statement. Of course, some basic research of significant measure goes on within the confines of these other institutes. Not every grant made by these institutes is specifically applied. Some of it is basic. I concede that and if I by inference indicated otherwise, then I'll correct that inference. But is it not true that the General Medical Sciences Institute is about 100 percent basic?

Dr. JESSE. I don't think that's true either, altogether, because the practical aspects of the Institute of General Medical Science covers a number of areas, including anesthesia, including applied——

Senator EAGLETON. But the basic function is basic research. They may stray from that. Well, go ahead.

Dr. JESSE. Well, the point I think, though, is in any area of science where we begin to collect important basic information and because of the support of the Congress for the National Institutes of Health some of those institutes have been more fortunate in terms of arriving at information which will reach the peak I talked about and allow us again to apply those things.

Senator EAGLETON. Do you think lobbying has anything to do with it?

Dr. JESSE. I would hope so. I sure would hope so.

Senator EAGLETON. Some diseases lobby better than other diseases, do they not? Isn't the Cancer lobby in terms of the medical profession the most efficacious medical lobby in the country? Do you know of any big lobby for General Medical Science?

Dr. JESSE. Well, I don't know very much about the Cancer lobby, I confess, and I don't know a great deal about the General Medical Science.

Senator EAGLETON. It's a very potent lobby. They can trigger us with thousands of letters and telegrams instantly and I've never gotten a letter from anybody about General Medical Science.

Dr. JAFFE. Senator, let me comment on that, too, a little bit. I think that is a very difficult problem and obviously you and all the other Senators and Representatives are constantly inundated with all the various issues and the disease of the month philosophy which frankly can be disruptive, but on the other hand——

Senator EAGLETON. I invented that phrase. That's mine.

Dr. JAFFE. I know you did, sir.

Senator EAGLETON. I don't want to belabor the point, but I'm trying to make a point. I think we have shortchanged, just speaking as a broad matter of medical research philosophy—I think in the last 10 years, we've shortchanged basic research. We've downgraded it or made it somehow secondary to other forms of research that had a more tangible and instant emotional appeal, and I think if we shortchange basic research we're fooling ourselves.

Dr. JAFFE. I certainly agree, Senator, and I'd like to make a point. One reason I think the NIGMS has been shortchanged is because so much of its activity has been devoted to training, particularly predoctoral training, and part of the problem is a reflection of the deemphasis of training about which we've been speaking so much.

Senator EAGLETON. Yes; lobbying is a factor. You folks ought to know that. I think you probably do but don't want to get into a debate, but, for instance, one of the fastest growing institutes is the Eye Institute. The Eye Institute has grown 165 percent in constant dollars. That's because three members of the Senate have family histories of eye difficulty, former Senator Young, Fritz Hollings, and myself. And so we treat the Eye Institute with tender loving care and so it's had an explosive growth—very justifiable. I mean, there's been remarkable strides made in eye research and eye surgery and what have you, but I wonder, when you see these zigzag figures if there's any really great rationale behind these figures.

Dr. MURRAY. Senator, we don't wish lung disease on you or any other Member of Congress, but I think it should be pointed out——

Senator EAGLETON. I take care of that one, too [indicating cigarette package].

Dr. MURRAY. I noticed that. In 1969, the institute you referred to was the Heart Institute. It then became the Heart and Lung Institute and it then became the Heart, Lung, and Blood Institute. So its purview expanded substantially and I think part of that increase in funding that you describe over the 10-year period was because of considerably increased responsibility.

Senator EAGLETON. That's a valid point. Now one final question.

I view knowledge as a three-part process: it's acquisition, it's dissemination, and it's application. The testimony today quite properly has focused primarily on acquisition, the acquisition of scientific and medical knowledge by good research.

Would any of you care to comment on how well we do as a society in the second and third aspects of knowledge; second, in its dissemination; and third, in its application out there in the great heartland by the practicing physician, whether he be from California or Missouri or Providence, R.I.? Does anybody care to comment on how well we disseminate or how well we apply? Dr. Jesse?

Dr. JESSE. Thank you. I think probably one of the best examples of that is what's happened in terms of hypertension in this country because 10 years ago the numbers of people who were even aware that they had hypertension was extraordinarily high and that's been cut by two-thirds of the people who are aware that they have hypertension and the number under treatment has increased remarkably and this has come about because, one, of the hypertension education program which I think is a model for how one reaches both the public and physicians; and I think that the practicing physician community in this country has now come to grips with what this means. The outcome of the high blood pressure detection and followup program has now been disseminated. Therapy for hypertension has changed even in the last year, since 1980.

So I think that is a very good model. I'm not sure we do that well always with everything, but there has been excellent support for that particular program.

Senator EAGLETON. Do you think that practicing physicians make adequate use of the services available of the National Library of Medicine or, conversely, does the National Library of Medicine have adequate outreach to disseminate the vast amounts of printed information that it assembles and it catalogs so that it gets out to the physician in Sikeston, Mo.?

Dr. JESSE. I think the progress in that area has been extraordinary over the last 10 years because not only does the library have the capability through Medlars and other computer communication systems, but the schools, through the support that has come about, have been able to be on the receiving end.

I think there's a lot still to be done, but I think that really has been a remarkable step forward.

Senator EAGLETON. Yet the budget for the National Library of Medicine is the most constant budget. It just ekes out a couple of pennies extra each year. Yet we all know that library costs generally have gone through the roof. Printing costs, particularly in the scientific-medical-technological field, have more than gone through the roof. They've exploded beyond all comprehension and yet we virtually freeze the library budget and have even in the halcyon days when we were giving money left and right to cancer, et cetera, we always froze the library budget. It didn't have much of a lobby either.

Dr. JESSE. I think that's why we specifically supported this morning an increase in that budget because I think it's a keystone to our communication efforts.

Senator EAGLETON. All the greatest knowledge in the world isn't really worth a damn if it just stays locked up somewhere, does it?

Dr. JESSE. Absolutely.

Senator EAGLETON. Yes; go ahead.

Dr. PETTY. An important advance has been the control of tuberculosis. I think that it's important for the record to show this. Twenty years ago or 30 years ago, this was a major chronic lung disease that today has been reduced in its importance through a concerted effort which covers the three steps of education and application.

I think we can do the same thing in all of the other chronic lung diseases which are essentially preventable.

Senator EAGLETON. Yes; Mrs. Tulcin.

Mrs. TULCIN. I don't think that the NIH has done half enough as far as telling their success story to the American people because if they did they would realize the importance of biomedical research and its application to the people today to alleviate suffering and to make people live longer in a better way, and I really feel we could do a better job with NIH as far as their successes.

Senator EAGLETON. Dr. Fox.

Dr. FOX. As Dr. Jesse so well defined, the progress relative to hypertension has been most impressive and has had a direct influence on mortality. There is a very interesting corollary to the development of new techniques, however. This possibility is that by the installation of thrombolitic or clot-dissolving materials into the coronary arteries will indeed result in a 50-percent opening of those arteries during the evolution of a heart attack is most exciting and our practitioners are seizing on it with great enthusiasm.

This requires us to get the definition as to what the indications for this rather demanding procedure really come down to. Otherwise, every full service hospital and the enthusiastic staff and those who support that staff will wish to have a procedures room or what in essence is really a cardiac catheterization room to provide this service essentially on the doorstep of their emergency room. We need definition of how to apply this and therefore we need the type of clinical trial that at the moment will go unfunded because of budgetary restrictions.

So with the success of our research effort which you have so well supported, we, unfortunately, developed those necessary research endeavors that have to be pursued to avoid the misapplication of very attractive pursuits outside of what should be their defined role.

This I think would be cost effective even without such definition, but it is, I believe, of highest priority that we undertake the definition of which patients are suitable, within what time period, under what circumstances, so that we do it at the most cost effective and in terms of human life savings the most effective manner. Thank you.

Senator EAGLETON. For five of you out of the six—everybody but Mrs. Tulcin is a doctor—you take an oath implicit in which is that you apply your skills to prolongation of life. Whose job is it to research the societal implications of the prolongation of life? If all of you succeed in all of your research and we're all living longer, and then we all get sent to a nursing home and then fall victim to one of the varieties of senile dementia—question No. 1, whether we're living, but, No. 2, even if we deem to be living, what about the societal implications? Who's going to pay for all of that? Who's going to build all of the nursing homes and pay for all the costs attendant with prolongation of life when the individual cannot function in life but through all the genius of people like you and others in these other disciplines you're keeping our blood running?

Should a significant portion of the NIH budget be targeted in the direction of research of the societal implications of life prolongation?

Dr. PETTY. Senator, I think that's an extremely profound and provocative question that I've thought a lot about myself. What we're really doing in medicine is preventing premature morbidity and mortality if we can. The numbers of people living to age 80 in this country really isn't any more per 100,000 population than it was at the turn of the century. People are avoiding premature morbidity and mortality.

I think that's a strong argument for preventive approaches to care so that we can forestall the high expenditure of terminal old-age illness.

Now whose responsibility is it? I think it's the responsibility of the whole biomedical research community and I think it's the responsibility of all society to find out where we can put our resources to get the most prevention and the most effective care to avoid some of the disasters of the aging population.

Senator EAGLETON. Does anybody else care to comment on that?

Dr. FOX. I think there are opportunities within this setting to evaluate what we can do with people who too often are discarded to inactivity, both mental and physical, within the nursing home setting and even within the hospitals. What we have proven relative to getting up patients promptly after a heart attack, after surgery, and the savings that come both in hospital days and in getting these people back to work should apply—and indeed, there is anecdotal evidence that this will apply toward the aging population. And the Institute for Aging needs the type of support that can provide this definition of how much effort is worthwhile, is it cost effective? There's much indication that it is.

Senator EAGLETON. Mrs. Tulcin.

Mrs. TULCIN. When you look at the societal impact of not only the aging population but of the young population with chronic disease, that is another problem altogether, and I have searched my own soul in looking at saving our children with cystic fibrosis who 30 years ago died in their first year and now live or can live into their twenties and beyond. But I can't guarantee them the kind of life that I would want for them until we can find out more about their disease and we really feel that in the genetic diseases today we do have a chance with the new DNA technology to possibly find out what causes the basic defect so they can possibly live a decent life or we can prevent it, and this is what we have to look at.

Senator EAGLETON. Thank you. Well, I trust all of you have seen the figures, at least the projected figures, as to health care costs, nursing home costs, what they'll be by the end of this century, less than 20 years from now, and they are absolutely staggering. They are so mind-boggling staggering that nobody wants to address them like nobody wants to address the 2010 social security problem which is equally mind-boggling and equally staggering. I won't be around here in the year 2000 or the year 2010 and many of you won't—some will—but that generation of physicians and that society toward the end of this century is going to be beset with financial problems of such enormous scope and intensity that frankly I don't know how they're going to deal with it. Costs are going to be right off the wall in terms of nursing home costs by the year 2000. I wish I had the answer, but I don't. There it is.

Thank you all very much. Your prepared statements will be inserted in the record at this point.

[The statements follow:]

STATEMENT OF DR. SAMUEL M. FOX III

1. To provide for maintenance of vital research and prevention programs, the National Heart, Lung, and Blood Institute should be funded at $597 million for FY 1983. The level recommended by the Administration would be regressive. Under the Administration's proposal, the percentage of grants approved for scientific merit which could be funded would dip from 41% in FY 1981 to 25% in FY 1983; no clinical trials could be initiated; the number of "deferred" initiatives considered by advisory bodies to be of importance to the health of the citizens would increase.

2. The College recommends that National Research Service Awards allocations for the National Heart, Lung, and Blood Institute receive a 15% increase in FY 1983 over the funding level for FY 1982. This recommendation is made in response to the critical societal issue represented by the decline of the number of physicians pursuing research careers. There has been a decrease of 50% in physician research trainees in cardiovascular medicine in the last decade. Increased funding is recommended to permit the development of creative training initiatives responsive to the need to maintain the clinical component of the research enterprise.

3. The National Library of Medicine provides vital services for the advancement of biomedical research and medical school functions. Funding stability is critical. Therefore, the College recommends funding at the level of $49 million for FY 1983.

I am Dr. Samuel M. Fox, III, Professor of Medicine, Georgetown School of Medicine and Director of Cardiology Exercise Program, Georgetown University Medical Center. I appear before you today representing the 11,500 member American College of Cardiology[1] of which I am a Past President. My remarks will focus on issues relative to the National Heart, Lung, and Blood Institute.

Before commenting specifically on budget issues relative to the NHLBI, however, I would like to place our concerns in perspective with some considerations on the responsibilities of the NHLBI and the impact of its accomplished and potential programs. It needs to be emphasized, for example, that the National Heart, Lung, and Blood Institute's responsibility is broad.

* Four of the leading causes of death in the United States are problems within the purview of NHLBI (diseases of the heart (#1),

cerebrovascular diseases (#3), chronic obstructive lung disease (#6), and arteriosclerosis (#9).

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[1] The American College of Cardiology (ACC), a nonprofit professional medical society and teaching institution, is dedicated to ensuring optimal care for persons with cardiovascular diseases or those with the potential for developing cardiovascular disease and, through education and socioeconomic activities, the prevention of cardiovascular disease.

- Diseases of the heart and blood vessels affect at least 40 million Americans. Cardiovascular diseases rank first in cause of death, limitation of activity, short stay hospital discharges and hospital days, and disabled worker benefits.
- More than 200,000 of the cardiovascular deaths occur before age 65. More than 49 million hospital days and 55 million physician office visits in 1978 were attributed to cardiovascular disease and this has probably increased since 1978.
- The total economic burden of cardiovascular disorders is estimated to be more than $75 billion annually (over one-fifth of the total cost of illness in 1980 dollars).

The light of this broad responsibility, it is pertinent to consider NHLBI funding for the past five years as compared with other institutes. This comparison shows that the differences between the FY 1977 budget and the Administration's proposed budget for FY 1983 are +45.5% for NHLBI versus +80.6%, for example, for the nine smaller institutes. When one considers the productivity of research particularly in the cardiovascular field and the reality, as noted above, that four of the ten leading causes of death in the United States are problems within the purview of NHLBI, the disparity is even more glaring.

We submit that NHLBI funding growth has not kept pace with the large majority of the other institutes; and, it would seem that inequities have occurred. It also would seem appropriate that the Congress should reexamine its funding strategies for the NHLBI in light of the enormous mandate given NHLBI in 1972 and 1976 and the remarkable progress that has been made.

In terms of accomplishments, the productivity of the NHLBI basic and clinical research projects, demonstration, prevention and education programs toward the amelioration of the severe consequences of heart, lung, and blood disorders, has been outstanding. As you have heard in previous testimony, the decline in deaths from heart attack and stroke in the United States, a decline which began in the late 1960s, continued through 1981. The many reasons for these declines all had their genesis in a sustaining Federal commitment to research. A specific example is in the therapy of heart attacks. The length of hospital stay for heart attacks has decreased markedly and early return to work has become more common. During the acute period, the use of the nitrate drugs, with the potential for limiting the size of the destroyed heart muscle, has become widely practiced. Such changes in practice have resulted from research on preventing the deleterious effects of blood deprivation on heart muscle, the safety of early ambulation and information from clinical trials on various medications; and, have led to an increased quality of life as well as a reduction in the economic burden of heart attacks. The findings of a recent clinical trial on the beneficial effect of a beta-blocking drug on post-heart attack mortality are now beginning to be translated into practice throughout the United States. Physicians are eager to have guidance on how to prevent morbidity and mortality. The information which derives from such well conceived and documented studies such as those performed under the auspices of the NHLBI are particularly well received and adhered to.

To achieve an even clearer picture of the magnitude and importance of the Institute's charge, it is important to know not only what has been accomplished to date and what is on-going, but what might have been. Had funding been available, certain projects which already have received peer review and advisory committee approval and projects which are deemed essential for improving the quality of care provided our citizens through understanding mechanisms of disease and the effects of diverse therapeutic regimens might have been started but were not because of funding limitations. Certain of these are:

* The indications for the efficacy of the injection of an enzyme, streptokinase, directly into affected arteries of the heart to relieve coronary obstruction resulting in acute myocardial infarction;
* Results of the efficacy of newer agents for controlling rhythm disturbances of the heart;
* The possible benefit of beta-blockers, now shown to be related to a reduction in late deaths following heart attacks, in preventing the first heart attack;
* An assessment of percutaneous transluminal coronary angioplasty (PTCA) as an alternative to coronary bypass surgery;
* Clarification of the role of dietary sodium, and possibly lack of potassium, in the development of hypertension;
* A better understanding of prostaglandin metabolism and thromboatherogenesis in the causation of coronary heart disease and other forms of arteriosclerosis;

- The role of calcium channel blockers in the management of coronary artery spasm;
- The sensitivity and specificity of methods for noninvasively detecting blood clots in the lung and diseased arteries;
- Longitudinal studies of coronary heart disease risk factors in young adults;
- Collaborative studies of cardiovascular surgery for congenital heart disease, to investigate the long-term outcome of surgical intervention in infants with complicated congenital heart disease;
- The relationship between nutrition and cardiovascular disease;
- Demonstration projects for the prevention of cardiovascular disease. This initiative would accelerate translation of knowledge about risk factor control and the clinical management of hypertension and cardiovascular disease;
- Many initiatives in training programs for research careers, particularly in clinical areas such as prevention and other shortage areas where expertise in basic research requires augmentation.

These deferred initiatives illustrate that while much has been accomplished much more needs doing. Without research, clinical practice becomes static and the medicine of tomorrow is the medicine of today. In the interest of ever improving the health of Americans, the medicine of today must be subject to constant revision and upgrading on the basis of today's research. The opportunities lost and/or deferred are difficult to calculate in human terms, but knowing the benefit from past research in terms of lives saved, lives enriched, or dollars not spent, the loss is certain to be substantial, to say nothing about lost momentum and our position of leadership in world medicine.

In addition to research funding, in order for the NHLBI programs to succeed, an ample number of dedicated and well trained clinicians and scientists must be available. Research training programs are necessary to enable research to continue in the increasingly sophisticated reseach setting of today and to allow translation of reseach findings to clinical practice. However, the number of individual research trainees in NHLBI will drop from 230 this year to an estimated 180 if the President's budget is adopted. Further, the number of institutional awards to support training will go from 238 to 216.

A critical problem faced by the NIH, in general, and NHLBI, in particular, is the dramatic decline of physicians entering careers in academic investigative medicine. If this downward trend is permitted to continue, clinical investigation may become an historical pursuit and our large investment in biomedical research devalued to an irreversible level.

Unless there is a consistent approach to training funding which recognizes the absolute necessity for an adequate cadre of clinical investigators, our research potential will be continually compromised. Off again-on again funding policies are tantamount to no funding in terms of effect on the research environment.

In order to restore the vitality of our biomedical research effort and to attract investigators to biomedical research, we believe that no less than a 15% increase (over the FY 1982 Continuing Resolution level) in all research training allocations must be made available.

In summary, in consideration of both the research and training needs of the NHLBI, the College recommends that the funding level for the Institute for FY 1983 be no less than $597 million. It should be noted that had the 7% net increase for NIH originally sought by Secretary Schweiker occurred and had the increases been applied pro rata for each institute, the NHLBI FY 1983 budget request would be approximately $656 million. In deference to the need for fiscal constraint in these difficult times, however, and with due concern for cost-effective application of Federal dollars, the College believes that a $597 million FY 1983 funding level will allow for survival of critical programs and maintenance of research potential. The President's request of $577.1 million, on the other hand, would be deleterious. In the long term, resurrection of our research potential in terms of personnel and laboratory resources, if allowed to deteriorate by excessive funding cuts at this time, would be far more costly than the $19.9 million "saved" in FY 1983, i.e., the difference between our recommended budget of $597 million and the President's recommendation of $577.1 million. Profligate funding is not being recommended - simply maintenance funding.

National Library of Medicine

The American College of Cardiology recognizes the importance of the National Library of Medicine (NLM) to the nation's health research, education and medical practice endeavors. NLM is a vital source of biomedical information upon which progress in the biomedical sciences depends.

NLM acquires, organizes, and disseminates the world's biomedical literature. Unfortunately, the cost of acquiring and processing the literature is increasing at a rate of 15-20% per year. Without the basic library services, the fruits of biomedical research will not be fully disseminated. In this regard, the efforts to develop MEDLARS III, a fully automated third generation computer system for library function, document delivery, and bibliographic searching, is essential for physicians and scientists throughout the nation.

The Medical Library Assistance Program provides support for the study, design, development, and improvement of information services for health professionals throughout the nation and supports a regional medical library network. We believe that this program, which was cut by $1.4 million in FY 1982, must be stabilized and adequately funded. The nation's medical library system, comprised largely of university, medical school, and hospital libraries, needs to be maintained to serve the nation's medical information requirements.

Therefore, the College recommends that NLM be funded at $49 million for FY 1983.

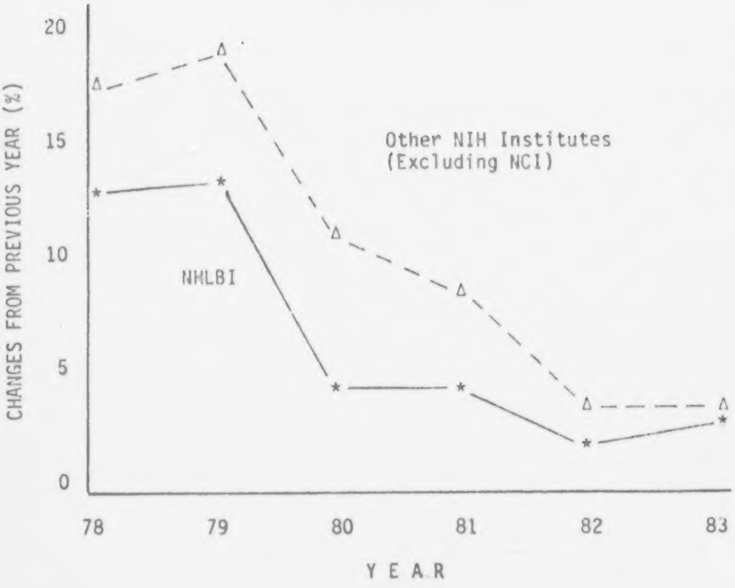
The College appreciates the opportunity to present this statement.

ATTACHMENT I

ANNUAL CHANGES IN INSTITUTE BUDGETS

1978 - 1983*

*(President's Budget)



Comparison of Institute Budgets: 1977-1983 President's Budget

Institute	1977 Approp.	1978 Approp.	1979 Approp.	1980 Approp.	1981 Comparable Approp.*	1982 Continuing Resolution*	1983 President's Budget*
	Dollars in Millions						
NCI	$815.0	$872.4	$936.7	$1,000.0	$947.3	$943.0	$955.4
NHLBI	**396.7**	**447.9**	**506.4**	**527.5**	**549.7**	**559.6**	**577.1**
NIADDK	219.6	260.3	302.8	341.2	369.6	368.2	379.4
NINCDS	155.5	178.4	212.4	242.0	252.6	265.9	274.5
NIAID	141.0	162.3	191.3	215.4	232.2	235.9	246.0
NIGMS	205.0	230.8	277.6	312.5	329.4	335.5	345.6
NICHD	145.5	166.4	197.6	209.0	220.7	226.3	233.6
NEI	64.0	85.4	105.2	113.0	118.0	127.4	131.6
NIEHS	51.1	64.2	78.1	83.9	140.0	154.3	157.4
NIDR	55.6	61.7	65.2	68.3	71.2	72.0	74.5
NIA	30.0	37.3	56.9	70.0	75.7	81.9	84.6
Nine Smaller Institutes	(1,067.3)	(1,246.8)	(1,487.1)	(1,655.3)	(1,809.4)	(1,867.4)	(1,927.2)
Total, Institutes	2,279.0	2,567.1	2,930.2	3,182.8	3,306.4	3,370.0	3,459.7

*Shift of the National Toxicology Program from NCI to NIEHS ($48.0) and the Diagnostic Radiology Grants from NIGMS to NCI ($4.4) in 1982 accounts for some of this difference.

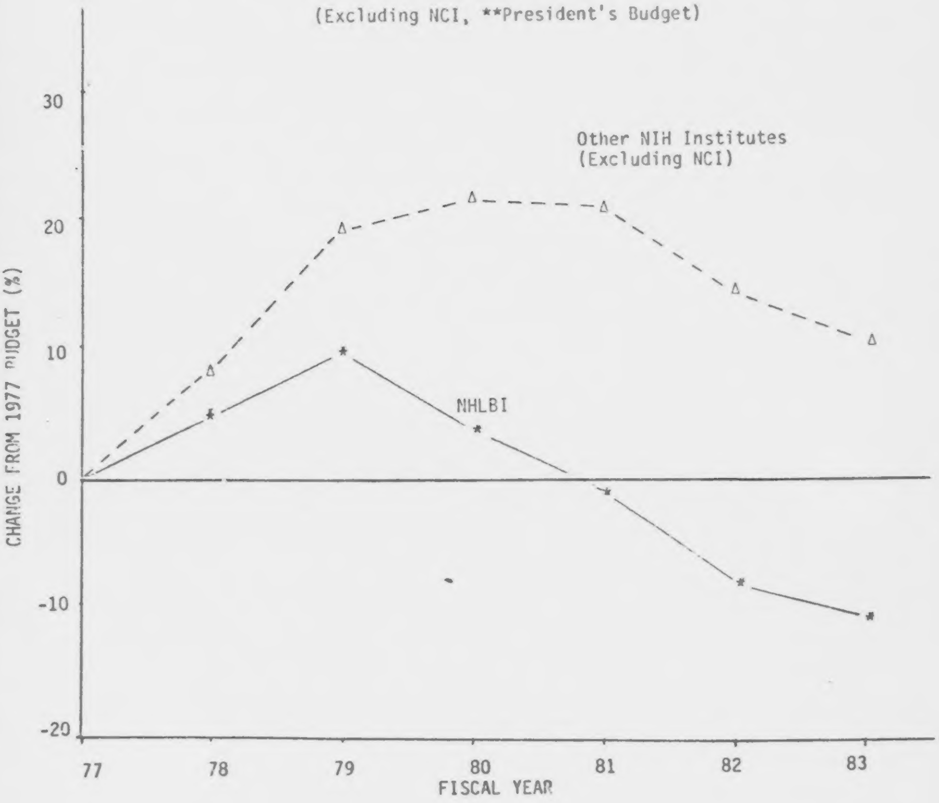
ATTACHMENT II

AMERICAN COLLEGE OF CARDIOLOGY

CUMULATIVE CHANGE IN NHLBI BUDGET, CONSTANT DOLLARS*, 1977-1983**

COMPARISON OF APPROPRIATIONS WITH OTHER INSTITUTES

(Excluding NCI, **President's Budget)



* Biomedical Research Price Indices:
1977, 1.000; 1978, 1.0745; 1979, 1.1630;
1980, 1.2691; 1981, 1.3974; 1982, 1.5232;
1983, 1.6298.

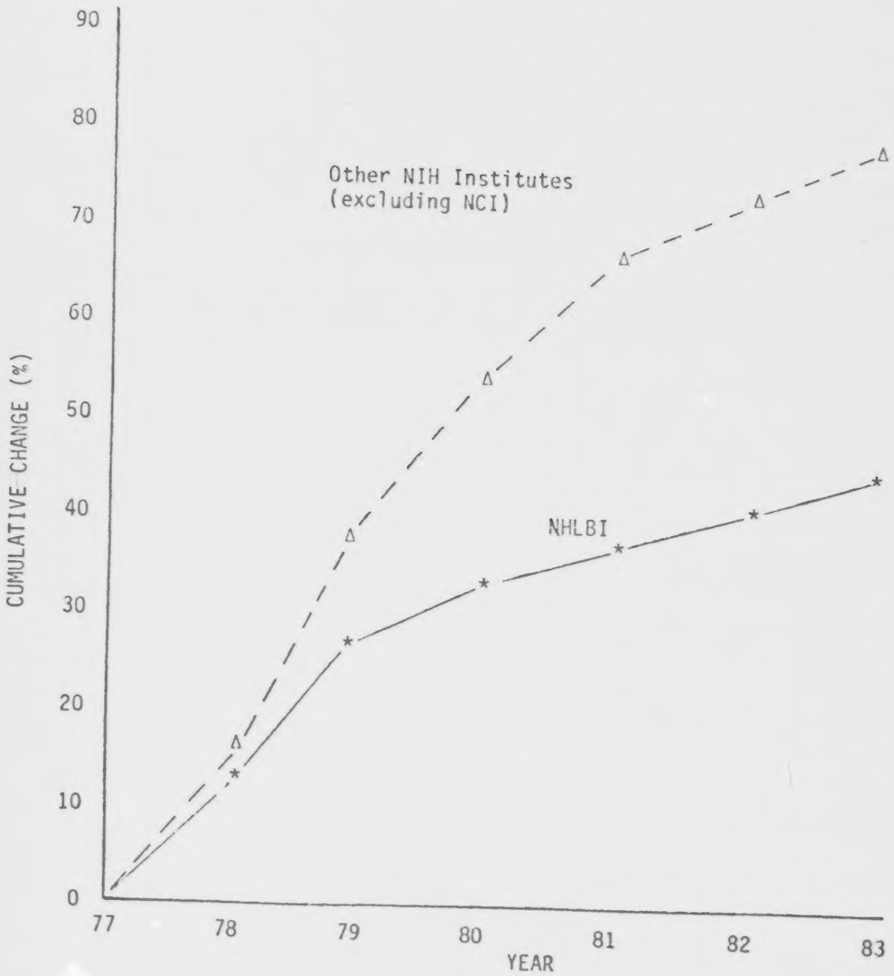
Source: 1977-1981, NIH;
1982, 1983: Price increases
assumed to be 9%, 7%.

CUMULATIVE CHANGES IN APPROPRIATIONS:

NHLBI IN COMPARISON WITH OTHER NIH INSTITUTES

(EXCLUDING NCI), 1977 - 1983*

*(President's Budget)



Comparison of Institute Budgets: 1977-1983 President's Budget

	Percent Change						
Institute	**1978 Level from 1977**	**1979 Level from 1978**	**1980 Level from 1979**	**1981 Level from 1980**	**1982 Level from 1981**	**1983 Pres. Budget from 1982**	**1983 Pres. Budget from 1977**
NCI	+7.0%	+7.4%	+6.8%	−5.3%*	−0.4%	+1.3%	+17.2%*
NHLBI	**+12.9**	**+13.1**	**+4.2**	**+4.2**	**+1.9**	**+3.1**	**+45.5**
NIADDK	+18.5	+16.3	+12.7	+8.3	−0.2	+3.0	+72.8
NINCDS	+14.7	+19.1	+13.9	+4.4	+5.5	+3.2	+76.5
NIAID	+15.1	+17.9	+12.6	+7.8	+1.9	+4.3	+74.5
NIGMS	+12.6	+20.3	+12.6	+5.4	+1.9	+3.0	+68.6
NICHD	+14.4	+18.8	+5.8	+5.6	+2.7	+3.2	+60.5
NEI	+33.4	+23.2	+7.4	+4.4	+8.1	+3.3	+105.6
NIEHS	+25.6	+21.7	+7.4	+66.9*	+8.8	+2.0	+208.0*
NIDR	+11.0	+5.7	+4.8	+4.2	+1.4	+3.5	+34.0
NIA	+24.3	+52.5	+23.0	+8.1	+8.5	+3.3	+182.0
Nine Smaller Institutes	**(+16.8)**	**(+19.2)**	**(+11.3)**	**(+9.3)**	**(+3.2)**	**(+3.2)**	**(+80.6)**
Total, Institutes	+12.6	+14.1	+8.6	+3.9	+2.0	+2.7	+51.8
NHLBI Rank	**8th**	**9th**	**11th**	**9-10th**	**6-8th**	**7th**	**9th**

*Shift of the National Toxicology Program from NCI to NIEHS ($48.0) and the Diagnostic Radiology Grants from NIGMS to NCI ($4.4) in 1982 accounts for some of this difference.

STATEMENT OF DORIS F. TULCIN

My name is Doris Tulcin, and I am the National President of the Cystic Fibrosis Foundation. I am pleased to have this opportunity to talk to you about the Fiscal Year 1983 budget for the National Institutes of Health. We believe strongly that the President's proposals are inadequate to sustain our nation's biomedical research efforts, and that you should appropriate sufficient funds to allow NIH to keep up with inflation and recover some of the ground lost over the last few years. Before dealing with our recommendations, I'd like to tell you a little about CF and how we are doing at finding some of the answers we all seek.

What is cystic fibrosis? CF is frequently described as the most common fatal genetic disease in America, affecting one in every 1,800 newborns. As the parent of a child with CF, though, I can't accept that definition as it is, because to do so would be an admission of failure, and I wouldn't be here if I didn't have hope. I prefer to define CF as a not-yet-curable disease that will continue to kill those born with it--until research finds a way to save their lives.

Many of you took the opportunity a few weeks ago to meet the three CF National Poster Children, the five-year-old Pearce twins and their seven-year-old brother. They look like normal healthy kids, but in fact they may have already lived a quarter of their lives. Every day their parents administer nearly an hour of therapy to each child to break up the mucus in their lungs so they can breathe, and the children have to take a handful of pills with every meal so they can digest their food. They've all spent weeks in the hospital receiving treatment for their lung infections, and if they are typical kids with CF, the Pearce family's medical bills because of this disease exceed $15,000 per year. As the Pearce family shows, CF can strike more than once in the same family. In fact, we estimate that over one-fourth of all children with CF have a brother or sister who also has CF.

Twenty years ago, the life expectancy of children born with CF was only about six years. By contrast, those born today have a 50-50 chance of living to the age of 20. There are about 2,000 adults over 21 now living with CF, including three who serve as members of our National Board of Trustees. Progress? Yes, but hardly enough to satisfy those of us who speak for the

Pearce children, and the 15,000 - 30,000 other American children and adults they represent.

Research into cystic fibrosis continues, and the key question remains the nature of the basic defect that produces the disease. We know that the lungs and pancreases of people with CF secrete too much mucus, but we don't know why. We know that these people suffer chronic lung infections that eventually take their lives, but again, we don't know why.

Researchers supported by NIH and by our Foundation are looking into such important areas as the biology of mucus and the genetic marker in CF, as well as the clinical problems of translating new research findings into better care for patients. There are some promising leads in genetics, but we are still at least several years away from tests to identify who among us are the asymptomatic carriers of the CF gene or to detect the disease *in utero*.

All of our scientists emphasize a common theme: don't give up, but, at the same time, don't be impatient. Dramatic breakthroughs in biomedical research are rare. The announcement of a major finding is always based on years of study by hundreds of scientists, each of whom fits a small piece into the puzzle. Our researchers ask us to stay the course because, with continued support, they will find the answers we all seek so urgently.

Another need we would like you to consider is funding for a Cystic Fibrosis Research Center. A critical mass of scientists at a single institution who can work together on a daily basis would significantly assist progress in learning about CF, and would also encourage the development of young scientists entering the field. Such a program has been put together at Case Western Reserve University in Cleveland, and it applied for center support from NIADDK during 1980. Unfortunately, the Institute had to postpone funding of the grant in both FY81 and FY82 because of rescissions and budget cuts. The Center is in the President's budget for FY83, but it is threatened with elimination again if NIADDK's budget is frozen at the FY82 level, as some in Congress have suggested. We are hoping that FY83 will be the year that the first NIH core center grant in cystic fibrosis becomes a reality.

In the context of these research needs, the recent funding history of NIH has been very disappointing. We have prepared two charts to illustrate the magnitude of recent program cuts in our health research enterprise.

In the first (Exhibit 1, attached at the end of this statement), the NIH budget for the past five years and for FY83 has been expressed in constant 1983 dollars.

As you can see, since 1979 there has been a steady reduction in the total real level of activity at NIH, totalling over 15% in only four years. There are two points that I would like to emphasize here: First, despite the increases recommended last year by this Committee over the President's FY82 budget, the effect of the current Continuing Resolution is that FY82 is the first year since 1961 that Congress has approved less money for NIH than the President requested in his original budget message. Second, while the President's FY83 budget of $3.749 billion for NIH is inadequate, freezing NIH for FY83 at the current level of $3.64 billion would be even more devastating. We don't know yet if the freeze proposals will be brought before Congress for a vote, but we urge you in the strongest terms to reject an NIH freeze.

Our second chart (Exhibit 2) shows the NIH budget as a percentage of our nation's overall spending on health from all sources--Medicare and Medicaid, Blue Cross, or whatever. Such a comparison is relevant because NIH is the principal source of health research in the country. In other sections of the economy that rely on technological advances, whether computers or energy or anything else, private corporations reinvest a portion of their income into R&D to build for the future. In health, by contrast, this is not feasible. There is no mechanism for a community hospital or a private doctor's clinic to place a few percent of its income into biomedical research. The only way our nation can continue to develop the new technologies we read about daily is through adequate funding of NIH.

When we look at this chart, though, we see a sharp decline since 1979 in the percentage of each health dollar spent in this country that goes to NIH research. From 1975 through 1979 the NIH budget was between 1.5% and 1.6% of total health spending. The figure turned downward in 1980, and has fallen by over a fourth, to only 1.11% projected in the President's budget. If we were still supporting NIH as we did just a few years ago, the President's budget would contain over $5 billion for NIH.

The decline since 1979 represents a turning away from our responsibility to the future health of ourselves and our children. Think of the number of advances in medicine that we have all benefited from, and then think of the advances that we will not see unless our national rate of investment is markedly improved as soon as possible. We believe that the 1975-79 level of research funding of 1.5% or more of national health spending was a responsible one, and that the 1.11% proposed by the President is not enough to properly exploit the opportunities created through our past investments.

In conclusion, we have been spending less for health research in recent years than we should have been. Available scientific opportunities can lead to answers to the problems of cystic fibrosis and other health concerns if that investment is increased. As long as children continue to be born with cystic fibrosis, we as a society have a responsibility to do everything we can to enable them to live the same full lives the rest of us take for granted.

There is an alternative. I'd like to present the Cystic Fibrosis Foundation's recommendations for NIH funding for Fiscal Year 1983.

- For NIH overall, we believe $4.10 billion is justified. This would restore NIH only to about its 1981 level of activity (see Exhibit 1), but we recognize that the damage of four years cannot be undone in one. At this level, NIH would be able to get back to the stability goals endorsed by this Committee in the past and begin to reduce the backlog of priority clinical trials. There would still be much undone, but this funding level would be a clear statement that Congress intends to stop the downward slide in health research.

- For the National Heart, Lung, and Blood Institute, $625 million. NHLBI has responsibility for research on four of the ten leading leading causes of death, but its growth has lagged behind the NIH average for a number of years. Increasing the appropriation for NHLBI would allow more research into the basic lung complications of CF, including the studies of mucus mentioned earlier.

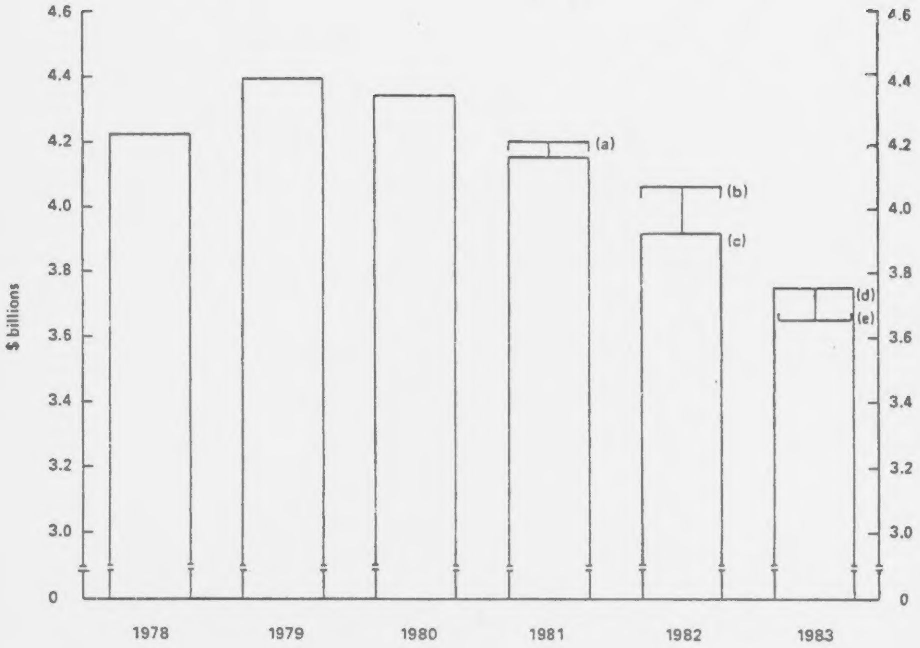
- For the National Institute of Arthritis, Diabetes, Digestive, and Kidney Diseases, $420 million. Most research on the molecular basis of CF is supported by NIADDK, and this is also the source of support for the new Cystic Fibrosis Research Center in Cleveland that is included in the President's budget. Unfortunately, the number of grants that the Institute can support has fallen by 20% from 1981 to 1983. Because this Institute received a budget cut in FY82 from the FY81 level, it needs a larger-than-average increase this year to catch up.

- For the National Institute of Allergy and Infectious Disease, $255 million. The lung infections that affect people with CF are a special responsiblity of NIAID, and a collaborative study is being planned to examine antibiotic usage in the treatment of cystic fibrosis. However, this Institute traditionally is able to fund a smaller portion of its applications than any other at NIH, and in order to bring it up to parity, a budget increase is justified.

These are modest, reasonable requests, smaller percentage increases than NIH received as a matter of course several years ago. We recognize the general fiscal restraints confronting Congress this year, but as we look back over the past decade, there were never any "easy" years. If we are to succeed with the research enterprise and find the answers to cystic fibrosis and the other major health problems facing America, Congress must hold the course through bad years as well as good. This is the year to stop cutting back the real level of health research, and to start the important rebuilding process.

EXHIBIT 1

NIH Appropriations, 1978–1983,
Expressed in 1983 Dollars



(a) FY 1981 level before rescissions approved June 1981

(b) FY 1982 level requested by President Reagan, March 1981

(c) Continuing Resolution level

(d) President's budget

(e) Effect of freeze at FY 1982 level

Source: Appropriations adjusted by OMB biomedical research and development price index for 1978-1982; by 7.5% for 1983.

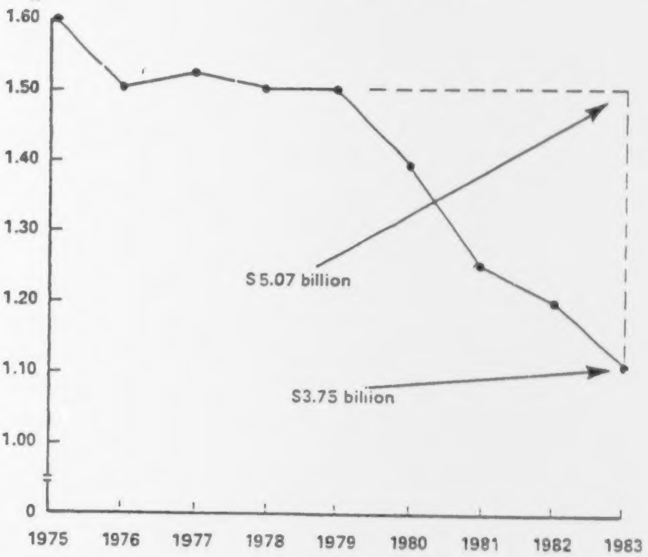
EXHIBIT 2

America's Investment in Health Research Is Falling Short

Funding for the National Institutes of Health is the principal way that health research is supported in the United States. However, the share of each health dollar spent that is "reinvested" in research has declined by 30% since 1975, from 1.60% of total health expenditures to only 1.11% proposed in President Reagan's 1983 budget. Measured in dollars, these reductions are striking. To restore the NIH budget to the same share of health spending it had as recently as 1979 would require $5.07 billion in 1983, or $1.32 billion more than proposed in the budget.

Progress in health, as in any other field, relies in large part on our willingness now to make investments in knowledge that will pay benefits in the future. The cuts illustrated below will result in delays in research and unnecessary death and disability for thousands of Americans for the remainder of this century.

NIH Annual Appropriation As Percentage of Total U.S. Health Spending



Source: *Health Care Financing Review* (Winter 1981); *Basic Data Relating to the National Institutes of Health, 1981; Budget of the United States, FY 1983.*

STATEMENT OF DR. THOMAS PETTY

I am Dr. Thomas Petty, President of the American College of Chest Physicians. I am also Professor of Medicine and Anesthesiology, Head of the Division of Pulmonary Services, University of Colorado Health Sciences Center. I am submitting these views for inclusion in the formal hearing record on behalf of the American College of Chest Physicians (ACCP). The ACCP is a professional medical specialty society of more than 11,000 physicians, scientists and educators who specialize in diseases of the heart, lungs, and circulatory system.

Speaking for the membership of the College, I would like to emphasize that we very much appreciate this opportunity to offer our views to this important Committee on FY 1983 appropriations for the National Heart, Lung, and Blood Institute (NHLBI) and the pulmonary activities of the National Institute of Allergy and Infectious Diseases (NIAID). At the outset, we recognize the substantial strains that have been placed on the Federal budget in recent years, and the need to exercise fiscal austerity in formulating a budget for Federal programs. Our recommendations are aimed at maintaing the momentum we have gained in combatting cardiovascular and pulmonary diseases within the past decade, and at alleviating the disincentives that have led to a drastic lack of interest among young physicians to enter academic and research careers.

National Heart, Lung and Blood Institute

May I preface this statement by emphasizing that the ACCP fully supports the activities of the NHLBI.

Acting NHLBI Director Dr. Peter Frommer testified before this Committee last month and highlighted the great strides that have been made in combatting cardiovascular and cardiopulmonary diseases. It was only a decade ago that the research mandate of the Institute was expanded to conclude the lung and that a concerted strategy to meet this very serious health problem was initiated. In our statement, we will highlight the pulmonary program because, with its statutory share of only 15% of the NHLBI budget, there is substantial need for at least modest growth in these program activities. It is imperative that this Committee keep in mind that diseases of the lung have increasingly become a very serious national health problem. Lung diseases, the sixth leading cause of death in the United States, account for more than 100,000 deaths each year, 46 million days lost from work, and 40 million days of bed-restricted activities; in addition, pulmonary disease costs the economy approximately $25 billion annually in lost productivity and wages and medical care costs. Indeed, this equals 8% of the total cost of illness in the United States and 15% of all morbidity costs (second only to the morbidity of cardiovascular diseases). The NHLBI must be afforded the resources to continue its initiatives against neonatal respiratory distress syndrome, fibrotic and immunologic lung diseases, emphysema and chronic bronchitis -- diseases which disable many millions of Americans.

A. Research

The NHLBI has been at the forefront of the biomedical research community's basic research effort to augment existing knowledge about the structure and function of the lung. ACCP enthusiastically endorses the NHLBI's support of research projects regarding: the mechanisms of lung tissue damage and repairs; oxygen toxicity and endothelial damage; pulmonary edema; lung inflammation; the role of chemical, mechanical and neural mechanisms in the control of ventilation; and pulmonary vascular diseases, including pulmonary emboli.

In the area of diagnosis, the Division of Lung Diseases has supported numerous studies which have resulted in the development of new tests for detecting subtle alterations in pulmonary function. These tests may indicate the presence of early progressive chronic obstructive lung diseases, such as emphysema, chronic bronchitis and asthma -- diseases which afflict 14 million Americans. NHLBI is now supporting research to develop a noninvasive method of measuring pulmonary artery pressure to record resonance frequency produced by microbubbles as they pass through the pulmonary artery. This simple technique, which causes minimal adverse side effects, allows the clinician to diagnose pulmonary hypertension and cor pulmonale (heart disease caused by certain lung disorders) early and to evaluate the impact of therapies to reduce pulmonary artery pressure.

As part of its prevention, education and control mandate, NHLBI has completed a program to help asthmatic children and their families practice behaviors to cope with asthma. Results indicate that the program has led to positive changes in self-concept, less frequent use of emergency room facilities, more effective use of medicine, and a decrease in these children's health care costs.

We believe that the multitude of NHLBI research-oriented pulmonary programs have been effective and have saved, and will continue to save, billions of Federal and private health treatment dollars. It is also important to recognize that reductions in biomedical research support will not be compensated for by the private sector fundraising community.

Under the FY 1983 budget, competing research grant support would be reduced to 545 grants, compared to 750 in 1982. NHLBI's award rate would dip to 25% of approved grants, and priority scores for grants awarded would average 178. It was only a few years ago that the Institute was funding 45-50% of its approved grants.

With additional funds, the Institute could augment clinical research in chronic obstructive pulmonary diseases to develop more effective programs in rehabilitation and emotional adjustment, investigation of the response of immature lungs to ventilatory support, and investigation of relations between microanatomical structure and pulmonary function variables. Moreover, at our recommended funding levels, the

Institute could initiate a trial on ventilation-perfusion scans and pulmonary angiography for diagnosis of pulmonary embolism. Pulmonary embolism is a condition thought to be associated with at least 50,000 and possibly a substantially larger number of deaths annually. The current standard technique for diagnosing pulmonary embolism is pulmonary angiography. This trial would assess the accuracy of ventilation-perfusion scans, a radionuclide imagining technique in diagnosing pulmonary embolism which, as a non-invasive technique, is less dangerous and less costly than pulmonary angiography. With a modest increase, funding at our levels would enable NHLBI to increase its health education activities in smoking to prevent pulmonary disability and early death from pulmonary disease.

Our recommendations outlined in detail at the end of this statement, would provide for the funding of approximately 35% of approved grant applications, and would enable the Institute to pursue several other new initiatives, including: basic research on the respiratory muscle fatigue that results in respiratory failure; expanded research on immunologic methods for early detection, development and testing of synthetic protease inhibitors and inhibitor replacement therapy for treatment; important epidemiologic studies to more effectively define and detect risk factors; to collate and compare acute- and long-term effects of smoking in males and females; and to ascertain the efficacy of teatement of mild respiratory dysfunction detected in population surveys; and enhanced prevention education and control research projects.

We are concerned as well that the porposed budget includes reductions of 10% on NIH reimbursement of indirect costs and 4% of direct costs of grant support. These funds should be restored.

Our fiscal recommendations for the research grant and contract line of the NHLBI budget would enable the Institute to maintain its support for several other vital programs: Special Centers of Research; Heart, Lung and Blood Research and Demonstration Centers; and Pulmonary Faculty Training Awards, to name a few.

B. Manpower Training

Congress has, during recent years, made a number of improvements in the Nation's principal biomedical research training mechanism, the National Research Service Award (NRSA) program. We have made a number of recommendations to the House and Senate Health Subcommittees as they consider legislation to reauthorize the NRSA mechanism this spring. The tax burden on trainees has been eased, and the Secretary has increased trainee stipends. These improvements are designed to provide an incentive for young physicians and scientists to enter the arena of research, and we applaud them. But the bottom line for the success of the NRSA program is still full-time equivalent trainee support. Under the Administration's proposed FY 1983 budget, NIH would be able to support about 900 less trainees than in 1982. NHLBI would be able to support 20% less trainees than it did two years ago. This will exacerbate an already disturbing trend, and transmit a loud and clear message to future researchers that the Federal government is unwilling to support young clinical investigators who are willing to undertake research careers. We recommend that sufficient funds be provided in FY 1983 to enable the Institute to increase by 10% the number of full-time equivalent trainees.

During the past decade, the number of NHLBI trainees who are clinical investigators (i.e., trainees with an M.D. degree) have declined by almost 70%. Substantially hard-hit by the Administration's budget are vital programs (such as Clinical Investigator Awards, New Investigator Awards, and Research Career Development Awards), which are designed to support young researchers during their transition from post-doctoral fellowship status to independent investigatorship. Our proposed budget would provide for modest growth in these vital training mechanisms; please note that these non-NRSA programs are included under the research line of the NHLBI budget.

C. Other NHLBI Programs

The American College of Chest Phusicians urges this Committee to support modest increases for the clinical trials and prevention education and control prgrams of the NHLBI.

The Seventh Report of the Director, NHLBI, highlights a number of important clinical trials and prevention-related activities which are deserving of support, including projects to evaluate the strategies of health education that encourage compliance with medical treatment and advice, to assess and enhance the use of spirometry to detect and manage chronic obstructive pulmonary disease in large populations, and to study pulmonary rehabilitation in community hospitals.

National Institute of Allergy and Infectious Diseases

ACCP recommends that $265 million be appropriated to the National Institute of Allergy and Infectious Diseases. NIAID is sponsoring important research in influenza and other diseases with respiratory implications, such as influenza viruses, respiratory suncytial and parainfluenza viruses, pneumonia, otitis media and meningitis. The Institute's research with reqard to viruses embodies great potential to expand our knowledge of degenerative chronic diseases, such as asthma, which afflicts more than 6 million Americans. Our recommendation would enable the Institute to fund approximately 35% of its approved research grant applications.

Conclusion

In the area of cardiopulmonary research, the biomedical research community is making significant strides in attaining what we all strive for as the most cost-effective health goal -- prevention. The combination of research budget cuts and training disincentives are transmitting a resounding message to our future corps of research scientists -- that the Federal government, which supports the vast proportion of biomedical research, is turning its back on a revolution which could yield billions of dollars in health cost savings in just a few years. This tide must be turned and modest budget increases, at least sufficient to counteract the impact of inflation, should be appropriated.

On behalf of ACCP and its more than 11,000 members, I would like to convey our deepest appreciation for your having afforded us this opportunity to share our views and judgments with you.

NATIONAL HEART, LUNG AND BLOOD INSTITUTE

(in millions of dollars)

	FY 1983 Administration Budget	FY 1983 ACCP Recommendation
RESEARCH GRANTS		
Includes noncompeting continuous, competing continuations, SCORs, Research and Demonstration Centers, Pulmonary Faculty Training Awards	403.0	437.0
TRAINING PROGRAMS	25.3	31.4
RESEARCH AND DEVELOPMENT CONTRACTS		
Includes Clinical Trials and Prevention, Education and Control Programs	60.2	73.0
INTRAMURAL LABORATORY AND CLINICAL RESEARCH	52.3	53.1
DIRECT OPERATIONS AND PROGRAM MANAGEMENT	36.7	37.1
TOTAL	577.5	631.6

STATEMENT OF DR. ERNST R. JAFFÉ

On behalf of the American Society of Hematology and its 3,000 members, I extend to you our sincere thanks for granting me the privilege of presenting testimony before this Subcommittee in connection with the legislation for the Fiscal 1983 appropriation for the National Institutes of Health.

I am Dr. Ernst R. Jaffé. I am the Head of the Division of Hematology in the Department of Medicine, as well as Professor of Medicine, at the Albert Einstein College of Medicine, Bronx, New York. I am also the Chairman of the Public Education Committee of the American Society of Hematology and the Society's President-elect. This Society, the only national organization of hematologists, is comprised of physicians and biomedical scientists who are concerned with research, patient care, and teaching activities as they relate to blood.

Before presenting our views about this legislation, I would like to take this opportunity to express our thanks to you, Mr. Chairman, and your associates for your past support and efforts on behalf of biomedical research and hematology.

I would like to spend just a few minutes to summarize briefly a small fraction of the recent exciting and important advances that have been made in the research programs related to hematology, blood diseases, and blood resources.

1. An exciting and very promising new technology has been devised that should provide important detailed information about the life-threatening iron overload that develops in patients with Cooley's anemia and other anemias requiring repeated blood transfusions. This non-invasive method, obviating the need to obtain tissue biopsies or even blood samples, will accurately measure the amount of iron in the liver and, perhaps, the heart, and will permit the evaluation of present and newly developing treatments designed to remove the excess iron. The technique, however, requires further study to establish clearly its validity and reliability.

2. The ability to determine the degree to which simple sugar is bound to hemoglobin, the oxygen-carrying pigment of red blood cells, has provided a new means by which to follow the control achieved in patients with diabetes. A recent improvement in methodology now permits the use of this change in subjects with abnormal hemoglobins, such as sickle cell hemoglobin, as well as in those with normal hemoglobin. These results demonstrate the important interrelationship between research on blood and its components and other human disease processes.

3. Important new information has been obtained about how human hemoglobin is changed from the fetal form in the red blood cells of the unborn child to that of the adult. These findings may make it possible to develop a rational and safe means by which to treat patients with inherited defects in the manufacture of adult hemoglobin so that they will make more of the fetal oxygen-carrying pigment that will permit more normal lives for those with Cooley's anemia and similar disorders.

4. The use of recombinant DNA and cloning procedures, better known as genetic engineering, have made it possible to obtain sufficient quantities of this coding material to determine the complete sequence of the parts of genes that determine the type of hemoglobin protein to be manufactured by the embryonic red blood cell. This research is progressing rapidly, and may make it possible to cure or at least ameliorate a number of inherited human diseases, including those affecting the blood.

5. Patients who receive kidney, bone marrow, or heart transplants frequently develop severe and even fatal infections with a certain virus, cytomegalovirus. It has been shown that antibodies against this virus can be prepared as immune globulin from selected portions of normal human plasma in sufficient amounts to permit clinical trials of its efficacy in preventing or modifying this infection.

6. Studies of a blood-clotting factor from pig blood have shown that it (Factor VIII) can be freed rather easily of undesirable properties so that a pure and less expensive material can be obtained to treat certain patients with hemophilia and other related bleeding disorders. Clinical trials, however, are urgently needed to validate the initial findings.

7. A new enzyme, hementin, has been isolated from the salivary gland of a leech, and gives promise of providing a different and, perhaps, better means by which to dissolve blood clots even after they have formed or become lodged in the heart, lung, or brain.

8. Progress has been made in developing an indirect method for screening blood donors for the presence of non-A, non-B hepatitis virus, now the major cause of this serious disease that can follow on blood transfusions. Elimination of such carriers would further enhance the safety of blood transfusions.

These eight examples cover a broad spectrum of advances. Note that some are essentially completed, while others are still in early exploratory stages. The former need to be finished and made available, where indicated, on a broad scale. The latter must be continued to make sure that the initial successes can *be confirmed and repeated by others and can be made practical for the appropriate groups of American citizens. Funds appropriated for these purposes will surely not be wasted.*

Although the National Heart, Lung, and Blood Institute (NHLBI) provides the largest share of funds for blood research, I must point out that the National Institute of Arthritis, Diabetes, Digestive and Kidney Diseases (NIADDKD) and the National Cancer Institute (NCI) also have major commitments to the advancement of biomedical science in this area. Eighty percent of all blood-related research has been supported by these three Institutes, but 20% has derived its resources from the other eight Institutes. We would, therefore, very much like to see this multiplicity of support mechanisms for blood research continued. This concept has been clearly recognized by Congress, most recently in the never-enacted Senate Appropriations Committee-approved measure, H.R. 4560, for the Department of Health and Human Services last year. We hope, therefore, that similar language along the lines presented below can be included in the legislation now under consideration to make it clear that blood, which is all-pervasive in both the body and the NIH, merits support wherever its disorders may become manifest. "The Subcommittee has learned of the excellent progress being made in hematologic research in the NHLBI, the NIADDKD, and the NCI. It understands that the Division of Blood Diseases and Resources of the NHLBI is most concerned with fundamental hematologic research and its clinical applications, while the NIADDKD's blood program emphasizes the mechanisms of normal blood cell function and their alterations in disease processes. The NCI is deeply involved with research on malignant alterations of blood cells and how both to treat these disorders and support the patients while they receive anti-cancer therapy. Thus, the Subcommittee expects that hematologic research will continue to be supported by all of these Institutes."

I would now like to turn for a moment to the critical need to continue to train biomedical scientists in the fine and difficult art of research. The prestigious National Research Council very recently concluded, "At the center of Federal policy, there should be an irreducible number of trainees who are supported in the basic disciplines, regardless of fluctations in demand for short-term research needs...The need for a steady infusion of young, well-trained and creative scientists into research positions in the biomedical and behavioral sciences is absolutely essential for maintaining the vigor of the national research endeavor." Research training grants and fellowships have provided, at modest cost, the opportunities for those with the motivation to *pursue academic research careers to receive the necessary "on-the-job-training" to permit them to try out their original ideas. Please, therefore, do not discourage them further by reducing again the support for research training. The costs of such training include not only the meager stipends for the trainees, but the expenses incurred in obtaining supplies and animals for their use. Institutional support, therefore, is as essential as the stipends provided for the researchers-in-training. Maintain the commitment that has been made to provide a continuous, though limited, supply of future biomedical scientists for this generation, and the next.*

Finally, I would like to read into the record a resolution that was passed unanimously at the annual meeting of the full membership of the American Society of Hematology last December 8th. "The Society expresses its concerns regarding the current government funding recommendations and practices for supporting biomedical research and training, and emphasizes their disastrous short-term and long-term implications for intellectual and scientific progress, for the health of American science and education, and for the health of the country." This Committee, and other members of Congress have, most fortunately, recognized these hazards and taken corrective action.

The American Society of Hematology, therefore, would like to join with the other organizations represented here today in urging that at least $620 million be appropriated for the NHLBI for Fiscal 1983, $420 million for the NIADDKD, and sufficient funds to provide the NCI with an appropriate cost-of-living increase, plus an additional five percent to permit modest growth.

My colleagues and I in the biomedical community thank you, Mr. Chairman, and the members of your Subcommittee for your kind attention to our presentation. We can assure you that the blood research work proposed for the near and distant future will be done by those who have been, and will be, trained to do it. We applaud you again for recognizing the past accomplishments and for providing us with the means necessary to go forward.

STATEMENT OF DR. JOHN F. MURRAY

Thank you very much for providing the American Lung Association and the American Thoracic Society, which serves as ALA's medical section, opportunity to present our recommendations regarding the fiscal 1983 appropriations of particular importance to lung health.

I am John F. Murray, a physician specializing in diseases of the lung and Professor of Medicine of the University of California at

San Francisco. I am President of the American Thoracic Society, an 8500 member scientific organization dedicated to the acquisition and dissemination of knowledge about the lung. I am a member of the Board of Directors of the American Lung Association which is the nation's oldest voluntary health agency and which is committed to the prevention and control of lung disease

Mr. Chairman, the organizations I represent want to acknowledge publicly the high level of commitment to biomedical research that you and other members of this appropriations panel have shown over the years. Your understanding and support, especially in recent months, have been of critical importance in sustaining this excellent national resource which makes such a positive impact on the health of all Americans. We urge you to continue your strong support of NIH, now more than ever.

My remarks today will focus on highlighting special opportunities in lung disease research and prevention programs. A summary is submitted that outlines all appropriations recommendations of ALA/ATS for fiscal 1983. For your further reference, I will also submit for the record excerpts from the recently released report of a distinquished ALA/ATS Task Force on Federal Lung Research. The Task Force developed a comprehensive review of the magnitude of the lung disease problem, the scope of the federal lung research programs, the accomplishments of the past decade and opportunities for important new research accomplishments.

Lung diseases are a devastating health problem in the U.S. They rank third among the leading causes of death and chronic respiratory symptoms are now reported by one of every five persons in this country. Worse, while there has been a decline in the mortality from all causes of death, the mortality from lung disease has continued to rise. The annual cost of lung disease has been estimated at $45 billion dollars. But grim as the picture may be, it is not hopeless. Basic and applied lung research, supported predominantly by the Federal government, has already greatly improved detection and treatment of many diseases. Furthermore, there are many exciting advances in our understanding of lung function that are at the threshold of being translated into new forms of treatment for patients with lung disease.

The lung research program within the National Heart, Lung and Blood Institute has proven to be a scientifically advanced and fiscally sound program that has led to a new understanding of such diseases as chronic bronchitis, asthma, emplysema and pulmonary fibrosis. However, this Institute and its Division of Lung Diseases which have made such tremendous advances has seen its budget, adjusted for inflation, decline by 18 percent since 1979. Moreover, the NHLBI will be able to fund 192 fewer research grants this year than in 1979. The President's budget proposal of $577 million represents a modest three percent increase but makes no allowance for the inroads of inflation.

Just to meet all of its present commitments a minimum budget of $596 million would be required for NHLBI. Yet this is an Institute responsible for new advances in dealing with America's number one killer--heart disease--and the fastest rising among the leading causes of death--chronic obstructive pulmonary disease, a category that includes emphysema and bronchitis. A budget that would allow for real growth in the research opportunities of NHLBI would be a truly cost-effective investment in terms of health care eonomics.

To provide for modest growth and also compensate for inflation's impact, the ALA/ATS strongly recommend that the fiscal 1983 appropriations for NHLBI be $635 million.

The appropriations level cited above would result in some growth in resources available to the Division of Lung Diseases due to the provision in the law that states that at least 15 percent of the funds expended for extramural research programs of NHLBI must be for lung programs. However, this modest growth in lung research funding would not permit a major step that in the opinion of ALA/ATS would make a substantial difference in lung disease. The knowledge is at hand to mount a sorely needed attack on chronic obstructive lung disease (COPD), now the fifth cause of death in the U.S. Similar strategies can be applied to Cystic Fibrosis, the most common chronic fatal respiratory disease of children. Because the regular NHLBI budget cannot be stretched to cover the major new initiatives that are needed against COPD and cystic fibrosis, an additional special sum above the regular Institute budget should be earmarked for that purpose. Such an offensive would make it possible to reverse COPD trends by 1990.

The ALA/ATS recommends that an additional $15 million above whatever Congress approves as NHLBI's appropriation for fiscal 1982 be designated as a set-aside to fund major new initiatives against COPD and Cystic Fibrosis.

As you are well aware the supply of investigators with a medical degree is essential to basic and clinical investigation. There is, however, a nationwide decrease of such investigators that will impede basic investigation and the translation of that investigation into patient care. We urge Congress and the Administration to support continued development of manpower to carry out basic and applied research.

Research in occupational lung diseases and the effects of environmental factors on the lung should be expanded in all Institutes presently responsible for these investigations. The 1980's have been called the decade of environmental and occupational concern and commitment. The lung is the target for most occupational and environmental exposures. Funding for research in these areas is clearly inadequate to provide the answers to a host of preventable lung diseases.

There is one special program need I must stress today and that is Tuberculosis Project Grants that Congress authorized as part of last summer's Budget Reconciliation bill--$9 million in fiscal 1982, $10 million in 1983 and $11 million in 1984. This grant program was approved initially by the House in recognition that some special step had to be taken in order to assure getting limited federal aid to areas with the problem if we are ever to eradicate tuberculosis. Funding for TB programs had suffered severely in the previous decade under the block grant concept and with the added problem of refugees the steady decline in TB had suddenly stopped. We now face the prospect having this age-old public health problem spread its infection into future generations when we should be planning for its readication. To underscore the fact that TB is still very much a national problem, a summary sheet, several news stories of recent months and the latest CDC data is submitted for the record.

The ALA/ATS strongly recommends an appropriation of $10 million in fiscal 1983 for Tuberculosis Projects Grants and a supplemental appropriation in fiscal year 1982 of $5 million.

Thank you. I would be pleased to answer any questions.

American Lung Association/American Thoracic Society
Federal Appropriation Recommendations For Fiscal 1983

PROGRAM	RECOMMENDATION	COMMENT
National Heart, Lung Blood Institute (Division of Lung Diseases)	$635 million and additional $15 million add-on for COPD-CF	Add-on Sum would be for major new initiatives in COPD and Cystic Fibrosis
National Institute of Allergy & Infectious Diseases	$265 million	NIAID programs are important to lung community and should be more growth
National Institute of Environmental Health Sciences	$162 million	Growing number of environ mental research grants cannot be funded by other NIEHS extramural program needs strengthening.
National Institute of Occupational Safety and Health	$69 million, includes $9 million for training and $2 million for new initiatives	Proposed new initiatives should be supported along with additional extramural research.
Pediatric Pulmonary Centers, Maternal and Child Health	$3.6 million	Now funded from M&CH block grant setaside whic should be funded at 15% maximum.
Tuberculosis Project Grants, Disease Prevention Block Grant	$10M - Projects Grants $96M - Block Grants	Project grants are critical in view of competing demands upon block grant.
Smoking & Health Office Assistant Secretary of Health	$3 million	Would permit reactivation of national smoking surveys
Health Promotion Office, Assistant Secretary of Health	$2.3 million	Would restore to budget level of last year.

STATEMENT OF DR. MARY JANE JESSE

Funding for NIH, NHLBI and NINCDS must increase if the United States is to remain world leader in progress in biomedical science. Although scientific advances of the 1950's and 60's have lowered cardiovascular death rates 27% and saved one million American lives in the past decade, future progress will not reach its potential unless funding is increased.

Funding for NHLBI and NINCDS has fallen in constant dollars -- NHLBI at the rate of 9% in four years. The funding rate for approved grants is dropping and new program initiatives are being lost due to these funding decreases.

New technologies and breakthroughs in scientific knowledge developed in the past five years now make possible a new era of progress in understanding the basic causes of arteriosclerosis and in preventing heart attack and stroke. Our nation cannot afford the projected costs of long term care of patients with these diseases.

The harvest we will reap in the 1980's and 90's in prevention of premature death and disability from our nation's greatest killers -- heart attack and stroke -- depends on the seeds we sow now in basic and clinical biomedical research. We must sustain and expand our scientific research capacity now or suffer the consequences in future decades in lives lost and tax dollars spent on chronic health care.

The American Heart Association strongly recommends:

> the appropriation in FY 83 of $632,000,000 for NHLBI; of $285,000,000 for NINCHS and of $50,500,000 for the National Library of Medicine.

Mr. Chairman, I am Mary Jane Jesse and I am Professor and Vice Chairman of the Department of Pediatrics of the University of Miami School of Medicine. I appear before this committee on behalf of the American Heart Association, 120,000 voluntary leaders, 40,000 scientific members and more than 2 million program and fund raising volunteers. I currently serve as President-elect. We are pleased to have this opportunity to provide the following comments.

American Heart is deeply grateful to the members of the Senate Labor/HHS Appropriations Subcommittee and to other health leaders in Congress for consistently supporting federal programs in biomedical research and its application to achieve a healthier society in USA.

We agree with Secretary Schweiker's statement that the National Institutes of Health must be preserved as a "unique national resource". NIH helps guarantee that our position of scientific leadership will remain second to none in the world. American Heart is pleased that its own programs of research, education and prevention continue to contribute to this leadership and that its research budget continues to increase.

The recent decline in death rates from cardiovascular disease and stroke is clear evidence of U.S. accomplishment. From 1968 to 1978, mortality rates from coronary heart disease in the United States decreased more than 25 percent. Mortality from stroke plummeted at the rate of five percent per year. Overall cardiovascular mortality in men aged 35 to 74 declined by almost 30 percent. As a result the coronary death rate in the United States -- the highest in the world in 1969 -- dropped to seventh highest in 1977.

As Dr. Robert Levy, then Director of NHLBI, said in September, 1981, "If these death rates had not changed, a million more Americans would have died in the 1970's, but instead a million lives were saved."

Despite these remarkable gains, there remains bad news. Cardiovascular diseases still account for almost a million American deaths per year -- more than all from other causes combined. These deaths are caused by atherosclerosis, for which we still do not know the ultimate cause or cure.

We believe the recent decline is due directly to the scientific advances which took place in preceding decades -- the 1950's and 1960's. As Dr. Peter Frommer told the NHLBI Advisory Council in February, 1982, "We are harvesting seeds we have sown, but we are not planting a new crop."

It alarms us that federal funding of biomedical research has not provided the support to develop the basic scientific understanding of the processes that produce heart attack, hypertension, sudden cardiac death and stroke. We are jeopardizing the potential for advances in the 1980's and 1990's.

Each year the NHLBI has been developing "new initiatives" that it expects will produce new scientific knowledge and improve the quality of care of Americans for the future. Now most of these promising new projects are delayed or lost due to a lack of funds to carry them out.

Among these lost initiatives are studies that would examine:

- Methods to relieve coronary obstruction and avert early heart attack;
- New agents that may control cardiac arrythmias and coronary artery spasm;
- Non-invasive methods to detect heart and vascular abnormalities;
- The role dietary sodium plays in causing hypertension;
- Less costly and dangerous alternatives to coronary bypass surgery;
- New programs for career training clinical and basic research.

Because continued development of these knowledges and their applications are necessary if we are to continue progress against lethal disease, we urge that the national investment in research be increased. Basic science and technology have brought us to the threshold of unraveling the process of atherosclerosis which causes stroke and heart attacks.

The advances made in the past five years lead us to believe we can enter a new era of productive investigation in the prevention of premature death from cardiovascular diseases and stroke. But we must choose to do so now.

We ask you to consider seven new initiatives, four of which clearly represent new approaches essential to the NIH broadened definition of prevention.

- New computer and imaging techniques, used together with new knowledge about factors that control atherosclerosis (fat-clogged arteries), now enable us to look directly at this disease without endangering patients. We can use this advanced method to carry out major new studies in disease prevention that require smaller patient groups, less time and far less cost than at present.

- New treatment with drugs and other therapies has brought hope to 40 million Americans who suffer from hypertension, the silent killer that leads to disability and death from stroke, kidney failure and heart attack. But we can't prevent hypertension because we still don't know its cause or cure. New knowledge about a precursor phase of hypertension -- one that involves the central and peripheral nervous systems -- now can be used to design new techniques to treat early hypertension and prevent its progress.

- The recently concluded NHLBI study on beta-adrenergic blockade was stunningly effective, but more than 50 percent of patients who experience heart attack cannot tolerate these drugs. A cooperative major study among various centers would help us to identify and treat these high-risks patients.

- 54 million Americans smoke cigarettes and most would like to stop with good reason. Scientific American recently cited smoking as the number one risk of death in the nation. Surgeon General Koop called cigarette smoking "the chief, single avoidable cause of death in our society and the most important public health issue of our time." But physicians who try to help their patients quit are frustrated; we lack an effective cessation technique. Therefore, the development of effective cessation models should be of the highest priority.

- The enzyme streptokinase may effectly relieve coronary artery obstruction. If so, we must re-examine treatment of early myocardial infarction. This could pay important dividends in preventing heart attacks.

- We've paid little attention to the rapidly increased incidence of cardiomyopathy, a syndrome affecting the heart muscles. Basic and clinical studies would determine its severity and causes.

- Research aimed at determining the causes and rational treatment of arrhythmias -- heart rhythm disturbances -- should be given a high priority. Complete extension of new techniques for detection and new pharmacological capabilities can make substantial inroads into sudden cardiac death.

These seven initiatives are exciting. They argue for a new era of cardiovascular disease research. The decline in death rates and the millions of lives already saved establishes beyond question the cost-effectiveness of past federal investments in research. But we can't expect to reap future harvests without sowing these "new seeds."

American Heart is well aware of the state of the economy today. It knows our national resources are seriously strained. Yes, difficult choices must be made. But there are some choices that must not be made.

We cannot afford not to invest additional federal dollars in promising new programs to prevent disease. The cost of health care in the United States rises each year at alarming rates. Unless we learn how to prevent premature death and disease, we face the very real possibility that the cost of treating acute and chronic diseases will in the next few decades threaten to bankrupt our Medicare and Medicaid programs and reduce our elderly citizens to poverty status.

These problems can be solved if we take the necessary action today. Here are our proposals.

First, despite the previously cited impressive gains in the reduction of cardiovascular mortality, support for the cardiovascular mission of the NHLBI has proportionately diminished. The original National Heart Institute was established in 1948, expanded in 1969 to encompass pulmonary diseases and again in 1972 to include blood diseases. Unfortunately, there was no corresponding expansion in funding at that time or since.

During 1972-81, the DHVD extramural program (excluding clinical trials) grew at the rate of only 11 percent in constant dollars. This is the very period mortality trends declined. If support continues to be reduced, the results we feel will be irrevocably lost to us.

How has NHLBI funding has fared in recent years in relation to that of other institutes? The picture is not much brighter. In the years 1977-83 the rate of increase in the NHLBI budget placed it 9th among the 11 institutes in funding growth. This in spite of cardiovascular disease killing 1,000,000 of our citizens yearly.

During 1978-82 the NHLBI budget in constant dollars actually decreased at the rate of 8.8 percent. The decrease from 1981 to 1982 alone was 3.4 percent. As a result, the award rate for approved NHLBI grants-in-aid has dropped from 41 to 25 percent in two years. The priority for new investigator initiated awards has fallen from 250 to 190.

We strongly urge this Committee to act now to reverse this decline by providing NHLBI with the funds that are adequate to meet the unparalleled opportunities now at hand.

Therefore, the American Heart Association strongly recommends:

- that there be appropriated for support of NHLBI, $632,000,000 for FY 83.

Second, during the period 1968-78 the stroke death rate in the United States dropped more than 40 percent. But cerebrovascular diseases still are the third major cause of death, and the leading cause of long-term disability.

Of the 400,000 Americans who suffer stroke each year, some 170,000 die. The survivors, now numbering almost two million, often face years of severe physical and mental impairment, emotional distress and overwhelming medical expenses. Stroke is viewed by many as the most devastating of all human disabilities. In 1981 the National Institute of Neurological and Communicative Disorders and Stroke (NINCDS) allocated $19.9 million for stroke research and training. Some 50 investigator-initiated stroke research projects and 12 centers performing clinical research on stroke receive NINCDS support.

Much progress has been made through improved methods of stroke diagnosis, treatment and rehabilitation. Modification of the risk factors of stroke has impressively reduced the incidence of, and mortality from, stroke. New non-invasive scanning technology and new surgical techniques that bypass blocked arteries, permit microsurgery on deep brain circulation and close artery ruptures have recently brought noteworthy advances.

If the current momentum in stroke research is sustained, many strokes can be prevented, saving thousands of lives and millions of dollars in long-term health care.

The President's budget request proposes a three percent increase for NINCDS, from $266 million in FY 82 to $272 million in FY 83. This curtailed funding -- far below the rate of inflation -- would drop the grant-in-aid payline below 180 and result in a serious setback in effectiveness for NINCDS and its programs.

The American Heart Association strongly recommends:

- that there be appropriated for support of NINCDS, $285,000,000 for FY 83.

Third, since its establishment within the Public Health Service in 1956, the National Library of Medicine has systematized the gathering and distribution of medical and scientific information. Such information is being generated today at record rates. We must have maximum access to and use of these important data if we are to progress, and if our technological advances are to be translated into improved health care for Americans.

Therefore, the American Heart Association strongly recommends:

- that there be appropriated for support of the National Library of Medicine $50,500,000 for FY 83.

The American Heart Association is grateful that these comments will be considered by the Committee on Labor and Human Resources. I will be happy to answer any questions.

NATIONAL INSTITUTE OF NEUROLOGICAL AND COMMUNICATIVE DISORDERS AND STROKE

STATEMENT OF DR. LARRY DAVIS, M.D., DEPARTMENT OF NEUROLOGY, UNIVERSITY OF NEW MEXICO

Senator EAGLETON. We'll call up our next group. It's the Institute of Neurological and Communicative Disorders and Stroke. Dr. Davis has an appointment so, if you don't mind, we're going to put him on right away so he can make his appointment.

Dr. DAVIS. My name is Larry Ernest Davis. I'm vice chairman of the Department of Neurology at the University of New Mexico School of Medicine and chief of neurology service of the Albuquerque Veterans Administration Medical Center.

I'm actively involved both in the day-to-day care of patients with neurological diseases, as well as studying the research on how viruses damage the brain and ear.

My research training was supported by NINCDS fellowship and my current research effort is supported by the National Institutes of Health, the Veterans Administration, and voluntary agencies.

As a physician, I often experience frustration in taking care of patients with brain disorders. I estimate about 25 percent of my patients can currently be effectively treated.

As a researcher, I am excited about the potential advances in research on the horizon that may lend help toward treating these patients.

Not many years ago, the brain was considered a mysterious black box. The wiring scheme was considered too complex to ever figure out. NINCDS funded research is dramatically changing this effort. At the present time we now recognize at least 35 different chemicals that allow brain cells to talk to one another. It is now known that lack of these neural transmitters or brain chemicals can cause specific diseases.

For example, Parkinson's disease, 10 years ago during my residency in neurology, Parkinson's disease was thought to be basically a degenerative, incurable disease. Over 100,000 senior citizens were involved in this disorder. They became progressively stiffer, more rigid and unable to care for themselves. As a consequence, they were placed in nursing homes in increasing numbers.

With the discovery that these patients lacked a brain chemical called dopamine new drugs were then devised which allowed the effective treatment of these patients removing many from going into nursing homes and being saved to the effect of being able to live at home. The effect on medicare savings has been enormous.

At the present time, about 40 percent of patients in nursing homes are there because of a severe dementia. Currently I have no drugs or treatments to help these patients and thus we have to place them often in nursing homes because they can't care for themselves.

Recently, NINCDS funded research has found that many of these patients, particularly those with the most common form of dementia called Alzheimer's disease appear to lack an important brain chemical called acetylcholine. Further research is needed to study the importance of this finding and it is hoped possibly that we can soon change this incurable disease to one like Parkinson's disease where we can replace at least in part their acetylcholine stores and possibly take them out of nursing homes and back into their families.

Pain—all of us experience pain from time to time. Unfortunately, many thousands of individuals currently chronically suffer pain. My best pain killers are narcotics. Unfortunately, the use of narcotics, while temporarily helping the pain, leads to addiction and drug abuse all too often.

At the present time NINCDS funded research is rapidly exploring the pathways by which the pain impulse travels in our brain. New brain chemicals called inceflens are being defined which play an important role in the transmission of these pain signals. There is hope in the future toward finding new and better pain reducing drugs which lack the ability to cause addiction and abuse.

All of us are born with all the brain cells we will ever have. If we lose any of these through aging or damage they can't repair themselves. This is different from many other organs such as the liver which has the ability to divide and produce new liver cells if damaged. The brain doesn't have that ability to divide. Thus, diseases such as strokes and gunshot wounds to the head will cause permanent damage and at the present time we have little hope for its recovery.

Animal research now may be rapidly changing this possibility. Recently, we discovered that it's possible to transplant tiny bits of normal brain into animals that have diseased parts of the brain. These transplants will survive, grow, and allow recovery of function in that damaged area. We're getting very close to the possibility of trying this out in man for the treatment of several incurable diseases.

If this is true, this offers enormous possibilities toward the treatment of previously incurable disease in man. It's now an exciting time to be in neurological sciences. There's been enormous advances in understanding the brain and the future promises even more excitement.

As a member of the American Academy of Neurology and the National Committee for Research, I am asking the subcommittee to consider increasing the NINCDS budget to about $362 million for fiscal year 1983. In the past 4 years, NINCDS has received the same percent of the NIH budget, yet percentage of grants submitted to the NIH dealing with neural science research has significantly increased. Many worthy and exciting grant requests are now going unfunded. Of all of the major systems of the body, the brain remains the least understood. Every cell in our body is ruled by the brain. It orders movement, sensation, thought, memory, speech, creativity, and ambition. The brain more than any other organ makes man different from other animals. Damage to the brain in turn incapacitates man and deprives him from these critical abilities.

NINCDS funded research has made great strides toward preventing and minimizing these disabilities in the past. With the financial support of your subcommittee, I foresee even greater advances in the understanding of how the brain works and the discovery of new methods to effectively treat or prevent many of its disorders. Thank you.

Senator EAGLETON. Early on in your statement, doctor, you mentioned viruses that affect the ear.

Dr. DAVIS. Yes.

Senator EAGLETON. Do you do research in that area?

Dr. DAVIS. Yes; I do.

Senator EAGLETON. What does some of that new research tell us?

Dr. DAVIS. Well, at the present time many children are born with congenital infections called cytomengal virus disease. Many of these are asymptomatic at birth and only later discovered to have the virus residing in their ear apparently causing damage. Through evaluations of a case that I did recently, it appears that this virus is not damaging the critical sensory cells that govern hearing but possibly interferes with its normal metabolic functions. We had previously thought that this was a totally untreatable disease. It now opens up an area by studying this that maybe there are approaches toward treatment, but much more work is needed in this area.

Senator EAGLETON. Is the research targeted primarily with respect to the virus at birth or also at the adult age?

Dr. DAVIS. I'm sorry?

Senator EAGLETON. Is your research targeted to the virus that hits the infant at birth, as was the case you cited, or is it broader? Does it apply to the virus hitting the adult population?

Dr. DAVIS. Adults as well, and it also has been targeted toward those many individuals who get acute attacks of dizziness and vertigo due to viruses; trying to understand how this happens. The ear is extremely tiny. The inner ear itself fits inside of a dime. It is very difficult to study normally because it's encased in dense bone making even radiographic studies very difficult and we have had in my laboratory designed new approaches toward looking at this and trying to identify where the virus hits, how it hits, and how one might at the present time prevent it.

Other studies are going on at other institutions on how to effectively treat it with other antiviral agents.

Senator EAGLETON. Thus far, though, in terms of treatment, nothing much has been coming?

Dr. DAVIS. Unfortunately, no.

Senator EAGLETON. Thank you, doctor. You may be excused.

Dr. DAVIS. Thank you.

Senator EAGLETON. I don't know if all of you were in the room, but we do have this 5-minute rule business. The green light is go, the orange light is 1 minute to go and the red light signals your 5 minutes are up.

I have five witnesses on the list, including Dr. Davis, so we have added some. But anyway, let's start with Mrs. Helen Chambers.

STATEMENT OF HELEN CHAMBERS, ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION

Mrs. CHAMBERS. Mr. Chairman and members of the subcommittee, I am Helen Chambers. I am here as a spokesperson for the Alzheimer's Disease and Related Disorders Association, a national organization with 50 member chapters across the country.

I would like to ask that my full statement be inserted in the record.

Senator EAGLETON. It will.

Mrs. CHAMBERS. Mr. Chairman, Alzheimer's disease is a brain disorder that affects more than 1½ million people in this country and not all of those are elderly. In fact, more than 60,000 people in their forties and fifties have been diagnosed as having Alzheimer's disease.

Historically, this disease was simply thought to be an inevitable consequence of aging and only recently have we learned that Alzheimer's disease is the fourth leading cause of death in the United States and as if being a major killer were not enough, the prolonged stages of Alzheimer's disease cause its victims to suffer interminable pain and torment. I know because my husband has Alzheimer's disease.

My husband, Snowden Chambers, was a career employee of the State Department and later the USIA. He had a sharp wit, a remarkable memory, and he was an excellent communicator. It is a sad irony that he's lost his memory and he can only speak in whispered nonsense syllables today. Sadder still, after 36 years of marriage, he does not know that I'm his wife.

I first noticed the change in Snowden in 1971 or about the time he retired from Government service at the age of 62. His personality began to change. There were intermittent bursts of anger and suspicion, lapses of memory and blackouts. He sometimes became lost and was unable to find his way home.

I resigned my job to stay at home with him. I realized he was in trouble. But at the time I had no idea just how serious it would be.

In 1977 Snowden underwent a sudden catastrophic change. He seemed to have lost his mind. Like so many victims of Alzheimer's disease, it may be that Snowden realized that something terrible was happening to him, something he could no longer cover up or cope with. He became psychotic, frightened, and combative when I intervened in any way. Soon he was no longer able to recognize members of the family nor find the right words in the right order. He lost the ability to read and write and to perform such simple tasks as shaving and dressing himself.

Eventually I learned from the doctors that my husband had an irreversible brain disorder which they call senile dementia of the Alzheimer's type. I was told he could not be cared for at home, that he would have to be in a nursing home for the rest of his life.

Well, I found a good nursing home but they were unable to handle him. He angered other patients and ran away from the facility. After only 2 weeks there, Snowden was moved to a hospital and put into straits. Then he lapsed into a coma, I suspect, as a result of being overmedicated in the nursing home. Shortly afterwards, he was committed to a State mental hospital.

I tried to have him placed in the VA hospital but was refused because the disease is not service connected. To make matters worse, I learned that neither medicare nor our health insurance would cover the cost of caring for my husband. Perhaps I should note here that our situation is not at all uncommon and that the overall cost associated with Alzheimer's disease runs as high as $12 billion annually.

Mr. Chairman, I brought Snowden home where I can care for him myself. It hasn't been easy. In fact, it's a 24-hour-a-day task for me. Snowden is no longer violent or defiant. The disease has rendered him very frail and almost totally disabled.

I have had to learn how to cope with the stages of his illness and all its symptoms without going under myself. Like so many others like me, I've learned that the patient is not the only victim of the disease. I think you will understand when I say that I am angry that Snowden and I, along with our three sons, have been deprived of what should have been a most meaningful part of our lives.

But there is reason to hope, Mr. Chairman, because thanks to this subcommittee and especially to you, Mr. Chairman, and to the vital research going on at NIH, we are making progress and with your continued support the devastating effects of Alzheimer's disease can be eased for both its victims and their families. Thank you, Mr. Chairman.

Senator EAGLETON. Thank you, Mrs. Chambers. I guess it was under the aegis of this committee we held a day of hearings a year or so ago—or maybe it was 2 days of hearings—on Alzheimer's disease and the sad part of it is, as you point out in your testimony, your case with respect to your husband is not unique. As you testified, many more people suffer from this and its staggering consequences on the families is very hard to put into words. You've done it very well, but it's a sad, sad situation, and hopefully some day, through the genius of medical research, we'll learn more about it than we have up until now.

STATEMENT OF J. ALFRED RIDER, M.D., PRESIDENT, BOARD OF TRUSTEES, CHILDREN'S BRAIN DISEASES FOUNDATION

Dr. RIDER. Our recommendations are: One, to continue support, that the wordings expressed in the Senate committee report 81–82 be used in this year's report; namely, that the committee expects the institute to expand its research in Batten's disease and related areas within the limits of the high quality research available and two, in your appropriations to NIH for fiscal year 1982–83 we recommend that the present level of support be continued so that $700,000 will be available to maintain the present level of research in Batten's disease. Thank you.

Senator EAGLETON. Thank you, Doctor. In your statement you mentioned Huntington's chorea. Is Batten's disease sort of a cousin of Huntington's chorea?

Dr. RIDER. Not really. We were just using that as an example of the percentage of the people in the population.

Senator EAGLETON. Does it have some of the same genetic or hereditary implications as Huntington's chorea?

Dr. RIDER. Yes; it's a hereditary disease.

Senator EAGLETON. Does it skip generations?

Dr. RIDER. By being a recessive gene it can skip a long way before it shows up.

Senator EAGLETON. Who carries it? Does the mother carry it or the father carry it?

Dr. RIDER. Both. We can do a test of peroxidase in the white cells and pick up the carriers.

Senator EAGLETON. What's the reported incidence of it in terms of statistics?

Dr. RIDER. The incidence is not specifically known, but it may be from 1 to 15 to 1 to 20,000 to 25,000 births. It appears to be higher in the Scandanavian countries but there the figures are better than ours and like in Sweden and Norway everybody is registered and they have a good handle on the fact that the disease is present, better than we have here.

Senator EAGLETON. Is it frequently misdiagnosed as being something else?

Dr. RIDER. Yes, sir. Usually these children are called mentally defective and they end up in mental institutions for the mentally defective, and it's an entirely different thing because they have an enzyme lack that if it could be replaced they would be perfectly normal.

Senator EAGLETON. What are the manifestations of it in a young child?

Dr. RIDER. The first thing would be—many times it is a change in scholastic ability.

Senator EAGLETON. A slow learner?

Dr. RIDER. Yes; he may have been pretty good in the first and second grade and then he gradually starts missing spelling words, missing arithmetic, stumbles a little bit, his vision decreases, and it's such a gradual, slow process that many children are sent to psychiatrists and so forth because they don't realize the subtlety of the change, but the mother is the one that recognizes the subtlety of the change and this is quite characteristic.

Senator EAGLETON. Is it precisely identifiable by blood tests or what's the method of detection?

Dr. RIDER. The best method now is to determine the peroxidase enzyme level in the white blood cell.

Senator EAGLETON. And this is by a blood test?

Dr. RIDER. Yes, sir.

Senator EAGLETON. What's the normal lifespan for an individual?

Dr. RIDER. Without great supportive care, it's in the teens or early twenties, but it may go on much longer if you have real good supportive care. But I think the important thing is that here are kids that are perfectly normal at 4, 6, or 8, so you've got 4, 6, or 8 years to detect the disease and initiate some kind of specific therapy when that becomes available.

Senator EAGLETON. Have there been any successful cases as a result of early detection in terms of thwarting the progress of the disease?

Dr. RIDER. These are difficult. We've been feeding kids large doses of peroxidase orally, but I doubt if very much of that gets into the brain. But on general principles we've used various antioxidants and it appears that some of the children we've treated may have lived longer than they did before or this may be due to better awareness and better treatment in general. It's hard to say.

Senator EAGLETON. Thank you, doctor.

STATEMENT OF FRED D. MINIFIE, PH. D., PRESIDENT-ELECT, AMERICAN SPEECH-LANGUAGE-HEARING ASSOCIATION

Dr. MINIFIE. I am Fred Minifie, University of Washington, where I'm professor and chairman of the Department of Speech and Hearing Sciences and president-elect of the American Speech-Language-Hearing Association.

In the previous testimony we have heard a great deal about the mortality figures associated with diseases of the heart and lung. Diseases of speech and hearing do not result in mortality. Rather, they result in the debilitating effects of an inability to communicate with other persons within the environment. There are a great many people who have speech, language, and hearing disorders but these persons often go undetected because they are not the outward signs of some kind of physical disability, but the internal effects are devastating.

Presently, there are 11 million people in the United States with disorders of speech and language, 15 million with disorders of hearing, and 2 million who are deaf.

Members of the scientific community who have attempted to investigate the problems related to speech and hearing are only now beginning to have the results of their research known so that persons in this society are taking an active role in attempting to combat the effects of these kinds of debilitating disorders. Certainly the chairman of this hearing has been very effective in his home State for bringing into the awareness of the citizens of the State of Missouri the need to receive proper speech, hearing, and language care.

The National Institute of Neurological, Communicative Disorders and Stroke has for the past 10 years been investigating a number of debilitating communicative disorders. Most of the research from this institute has gone toward basic research, understanding the nature of the neuromotor control mechanisms, underlying speech production, investigating the coding schemes by which the speech signals are encoded into neural impulses within the ear and how they are transmitted to the brain.

Much of that work has gone toward trying to understand the nature of neural linguistics, or how the brain processes information that is sent to it from the ear.

If we were to look at the effects in the next 50 years of changes in our society, we would see that by 2025 approximately 51 million people, or 17 to 20 percent of the population, will be over the age of 65. As we begin to look at this increase in age, we will see that approximately 3 million people will need special care for their speech, language, or hearing problems which result as a function of the aging process.

It is absolutely essential that we provide basic research at this point so that we will be able to have proper clinical service delivery systems that will enable us to adequately meet the needs of this population.

I want to give you a few examples of things that have occurred because of the funding to NINCDS and point toward why it is particularly critical at this stage to provide additional funding for research in the area of communication disorders.

During the past 10 years, we have made fantastic strides in being able to properly diagnose and identify the problems of the hearing impaired. The young child can now be diagnosed so that we can provide a valid, reliable estimate of a child's hearing at only 6 months of age. For a child who is hearing impaired, being able to recognize the fact that that child cannot properly receive sound is crucial toward fitting the child with a hearing aid during that period in the child's life that the child is acquiring the language skills.

If we can do that at 6 months of age during that critical period from approximately 1 year until 3 years of age, the child can then acquire reasonably normal language facility. Without that fitting of the aid, the child can be impaired and result in a very costly rehabilitative program.

We now have the capability of providing persons who are completely nonvocal, persons with cerebral palsy, with no control over their limbs, unable to communicate through the normal vocal mode; with alternative means of communication so that we can have computer based support systems that will enable these people to interact with the persons in the environment in a reasonably normal fashion. That was not possible prior to the development of some specialized technology.

In the last 2 years, there's been installed at the University of Wisconsin an X-ray microbeam unit that will enable us to monitor movements of the speech structure, particularly movements of the tongue, in ways that we have not been able to prior to this time. That unit was available in Tokyo. Through NINCDS's support, it is now available to researchers in this country where basic research studies are now being launched.

The clinical applicability of that highly specialized technology is vital if we are to understand the problems related to neuromotor control of speech production.

What has happened during the past 10 years is that much of the funding from NINCDS has gone toward basic research. We are now at a stage where we must begin to apply that knowledge to the clinical population that those studies were designed to help in terms of their long-term rehabilitation.

If we were to cut back the funding at this point or not to continue to provide funding, we would miss an opportunity to develop on this basic research foundation that would be tragic.

The American Speech-Language-Hearing Association believes that it is vital at this point for funding in the level of $365 million to be provided to the National Institute of Neurological and Communicative Disorders and Stroke. That funding base will enable us to provide the application of the technologies that have been developed during the past 10 years, enable the populations that are handicapped by speech, language or hearing disorder to be properly served.

Senator EAGLETON. Thank you very much, doctor.

STATEMENT OF RAYMOND A. CONNORS, PRESIDENT, TUBEROUS SCLEROSIS ASSOCIATION OF AMERICA

Mr. CONNORS. Thank you, Senator Eagleton. My name is Ray Connors and I'm a founding director of the Tuberous Sclerosis Association of America, the TSAA, and I'm very happy to be here today for the first time.

The TSAA had its origin in 1968 when my wife, Linda, and I were finally told that our son—sitting here by the way, Senator—had tuberous sclerosis. We just now say TS. A brief history of TS and the TSAA is included in our statement which I'll not attempt to read now, but ask that the text be entered into the record as submitted.

Senator EAGLETON. It will be entered.

Mr. CONNORS. I will summarize it now, Senator.

TS is a multiphased genetic disease with neurological involvement. TS has no racial, sexual, or geographic barriers and generally shows and is often confused with mental retardation, epilepsy, cerebral palsy, autism, and other well-known conditions. TS is one of the most common genetic disorders that devastates children and yet in the area of research just about nothing has ever been done, even though this disease has been known to the medical community for more than 100 years.

The facilities that specialize in TS care and treatment are nonexistent. Physicians for the most part are unaware of TS. The first book ever compiled on TS was only recently published in 1979 and we are pleased to present a copy of this book to the committee, Senator.

Senator EAGLETON. Thank you very much. We have it here and it will be a part of our file.

Mr. CONNORS. Thank you. We have had a good working relationship with the NINCDS since 1977 and strongly support this program and any budgetary increases within the NINCDS. In fact, we are very supportive of many NIH programs and their budgets could be quadrupled, if possible, but we know better.

Last year, the House Appropriations Subcommittee on Health directed the NIH to conduct a study of the state of the science of tuberous sclerosis. A copy of that study is attached to our statement for your convenience.

The last three pages of our presentation to you consists of recommendations offered by Richard E. Kauff, M.D., a medical consultant to the TSAA, and logically follow the NIH report.

In this summation of our testimony, which is brief, we have not spoken of the suffering and hardships endured by the patients and parents and families of TS. As a closing thought, I only wish there was a way to take this entire committee into the world of tuberous sclerosis just for a brief period of time so that all of the members might see the real tragedy that exists here.

At this time, I would be happy to answer any questions the committee may have, or in the interest of time I would be pleased to respond in writing. Thank you, Senator.

Senator EAGLETON. Well, thank you very much, Mr. Connors. You told me things about which I am completely ignorant and until today I did not even know of the existence of this disease as described, and so it's very useful that you brought it to this committee's attention.

What are some of the early manifestations of this particular disease? If you don't care to describe it, perhaps one of the doctors might if any of our panel has had experience with it. Dr. Rider, have you had any experience with this?

Mr. CONNORS. I can do that, Senator.

Senator EAGLETON. Fine.

Mr. CONNORS. The first skin manifestations are called hypermelanotic rashes. On page 100 of the text presented to you at the bottom of that page and at the top of page 101 it describes that.

These are only valuable as diagnostic tools and of no other significance. The things that do have significance are the symptoms of epilepsy, mental retardation, physical handicaps, developmental delay, and all of those items that are listed on our HEW fact sheet, Senator.

A child may be born with some or all of these symptoms or they may slowly develop as the child grows older. There is a great range in the manifestations of the symptoms that it presents and the combination that it presents. A lot of what Dr. Rider said and the questions you asked him would be equally applicable to TS patients, for example.

Senator EAGLETON. Thank you, Mr. Connors, very much.

STATEMENT OF CAPT. JOHN SCHIMMEL, ON BEHALF OF THE EPILEPSY FOUNDATION OF AMERICA

Mr. SCHIMMEL. Mr. Chairman, I'm John Schimmel. I'm a captain in the Army and I work over in the Pentagon, U.S. Army Communications Command.

I'm here representing the Epilepsy Foundation of America in efforts to emphasize needed funds for NINCDS medical research in the prevention, better control of, and hopefully cure of epilepsy.

My 10-year-old son, Jim, 6 years ago, came down with the first equivalency of a seizure. He woke up as a 4-year-old feeling numbness in the face and with thick speech and we started on a trek to get medical care to find out what was wrong. It took over a year of misdiagnosis and inappropriate prescription drugs, into barbituates, before we came upon Johns Hopkins University and Dr. Paddy Vining where after two, 10-day stays in the hospital and multiple tests, Jim was finally diagnosed as having epilepsy.

Jim's epilepsy was a rare type that was continually going downhill. He was a bright average to superior young child. He was bilingual. He spoke German and English. But he had lost in about 2 years approximately 60 points of I.Q. and he was going downhill to where we thought he was going to be permanently institutionalized.

Dr. Vining brought us in contact with a drug called valproic acid and asked our permission—it was new to the United States. It had been in Europe. But thanks to research in NINCDS, the drug was then available in the United States. That drug turned out to be a miracle drug for Jim. It turned him around. He's regained most of his intellectual capabilities. He goes to school here in the District. He's a bright, average child. He's been with the Epilepsy Foundation on some TV spots that some of you may have seen, with Bobby Jones, the basketball player, Congressman Coelho, and Gary Howart who's a hockey player from the New York Islanders. He's the fellow who comes on and says he's a normal kid.

Not really. He's got a big problem in epilepsy. He takes over 20 pills a day and phases those in four different intakes, so he can't lead a completely normal life. But if you were to walk in, you couldn't tell. He's been seizure-free for over 14 months. He never had what they call a grande mal seizure but it was aphasia. He could be in a room or be given a psychological test and the picture could be missing a doorknob but he couldn't say doorknob. He could point to a doorknob in the room, but yet before the epilepsy struck he was very capable.

In part, I'd like to say thanks to the research that NINCDS did to allow valproic acid and other anticonvulsants, but the bottom line is I've been advised that the $274 million appropriation set for NINCDS—it stands now at $274 million—I've been advised that if it were brought to $291 million that would sustain the research levels that were in effect in 1981 and that would be what the Epilepsy Foundation advises me is a status quo, a holding the line, rather than at the $274 million level a decrease, with continued research, hopefully better drugs, even a cure for epilepsy to prevent epilepsy or hopefully one pill a day or whatever for people like my son and other people in the population. Thank you.

Senator EAGLETON. Thank you, captain.

I mentioned with the earlier panel the funding increases, 1969 to 1979 in constant dollars, and I didn't mention the NINCDS, and it has been treated in the most parsimonious way except for General Medical

Sciences which I did mention. They were treated with a minus 7 percent over that funding 10-year period, and NINCDS got a 9-percent increase in constant dollars over that 10-year period. So it least benefited from appropriation attention. I mention Cancer, 171 percent, Eye, 165; and so on down the line; but NINCDS got a plus 9 percent over that 10-year period in constant dollars.

Well, thank you all very much. We appreciate your being here today. Your statements will be inserted in the record at this point.

[The statements follow:]

STATEMENT OF DR. FRED D. MINIFIE

Mr. Chairman, I am very pleased to appear before the subcommittee with other members of the scientific community concerned, if not worried, about appropriations for critically-needed research in the area of neurological and communicative disorders. I am speaking today on behalf of the American Speech-Language-Hearing Association, which is composed of over 36,000 speech-language pathologists and audiologists who engage in scientific research, training, and the provision of clinical services to many of this nation's estimated 20 million individuals who are afflicted with a speech, language, or hearing disorder.

I. The Problem

The National Institute of Neurological, Communicative Disorders and Stroke is charged with an awesome responsibility: to conduct and support research and research training on the causes, prevention, diagnosis, and treatment of nearly 600 neurological and communicative disorders. This work takes us to the very frontier of understanding what it is which makes us human. How does the brain work? How do we think, feel, know? How do we store and retrieve enormous amounts of information? How do we hear sounds, process them through our brains, search out our language, coordinate our respiratory and laryngeal mechanisms; control our tongue and the rest of the speech production system to convey our reactions and thoughts?

The Communicative Disorders Program of NINCDS supports both scientific and clinical research and research training in all aspects of speech, hearing, language, equilibrium, and the special senses of taste, touch, and smell. Included are basic and clinical studies of anatomical, physiological, biochemical, behavioral, acoustical, and pathological aspects of communicative disorders and otolaryngological diseases. While not always externally visible, communicative disabilities can be devastating to the individual. Communication impairments affecting hearing, speech, and language can impede our ability to think, reason, and remember. They can isolate us from the rest of society, and obliterate the normally enriching life experiences most of us take for granted.

The human and economic costs of these disorders are enormous. The population standing to benefit from the work of NINCDS covers some 50 million Americans, including: 11 million with speech and language impairments

15 million with hearing loss

2 million profoundly deaf.

The 1979 NINCDS National Research Strategy report pointed out that these figures may be too low as many disorders are only recognized after the individual is disabled, and persons with conditions such as progressive hearing loss may conceal their handicap in an effort to avoid job discrimination and possible social ostracism.

The number of communicative and neurological disorders is predicted to increase substantially with the growing age of our population. By the year 2025, 51 million people or 17 to 20% of the population will be over 65 years of age, with approximately 3 million requiring some type of institutionalization because of some form of dementia. Hearing sensitivity is a critical aspect of the many problems experienced by this rapidly growing population. According to recent statistics, one in every four persons over the age of 65 has a hearing problem. Environmental factors such as chemical agents and noise may also increase in number.

Mr. Chairman, I would like to submit that our research efforts on hearing loss can have a positive impact at the highest levels of international relations. It appears that Soviet President Brezhnev has a hearing loss,* as do several of the highest officials in our own government. Enhancing the abilities of these individuals who have striven to overcome this loss is and should be a national goal.

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* Newsweek magazine reported that, "When a group of Soviet leaders went to the Moscow Art Theatre last month to see 'Thus We Shall Triumph,' a play about Lenin's twilight years, Brezhnev had problems with his hearing aid. Like many people with hearing problems, he reacted by speaking in an abnormally loud voice. 'That's Lenin. That's Stalin,' he said in a gravelly voice that could be heard throughout the theatre. Politboro member Konstantin Chevenko motioned to Brezhnev to lower his voice." (April 12, 1982)

II. The Research Accomplishments

The past two decades have been characterized by a spectacular progress in fundamental knowledge of normal function and of disruptions that occur in communicative disorders. In the June, 1979, NINCDS publication Report of the Panel on Communicative Disorders to the National Advisory Neurological and Communicative Disorders and Stroke Council recent advances in communicative disorders research were detailed. Research achievements of projects supported through the communicative disorders branch include:

- Development of a detailed description of the neural encoding of sound by the ear which has opened the way to a deeper understanding of how speech is perceived and has led to improvements of aids for the hearing-impaired.
- A vast expansion in the knowledge of the neuroanatomical structure and connections of the central auditory system which has made possible a new era of combined neurophysiological and neuroanatomical studies of the auditory processes of the brain.
- A significant amount of information has been acquired concerning the detrimental effects of noise, trauma, and drugs upon the ear, which can lead to ways to prevent this kind of hearing damage.
- The surgical management of diseases of the ear has been advanced through modern microsurgical techniques.
- The correction of deafness due to otosclerosis and other chronic middle ear diseases has been achieved.
- Previous high-risk surgery for removal of tumors of the temple bone has been greatly minimized.
- The newly acquired knowledge that language behavior is governed by well defined rules has revealed that language and language disorders can be studied scientifically.
- There is currently a sufficient store of knowledge to permit a finer exploration of the relationship of language development to disabilities such as deafness.
- There now exists sufficient information about normal and abnormal language functioning to determine whether or not language development can be enhanced by intervention.

- Advances in technology that make it possible to synthesize and analyze speech electronically have occured which may help people who cannot communicate with the outside world.

III. Research Funding Needs

Future research efforts will be aimed at the systematic development and evaluation of effective methods of prevention, intervention, and treatment of these significantly rising communicative disorders. ASHA recognizes that the NIH programs have received increases in the FY 82 and FY 83 budgets in light of the present economy. In FY 1982 the NINCDS program received $13,368 more than in FY 81, representing a 5% increase in funds over FY 82. An increase of $89,604, representing a 3% increase in funds, is proposed for FY 83. The American Speech-Language-Hearing Association and the National Committee for Research in Neurological and Communicative Disorders feel that an increase of about $90 million over the President's budget request in FY 1983 is needed in order to maintain basic research support. This figure coincides with the NINCDS's budget projections first established in its 5-year plan. In that budget projection $340 million was anticipated to be needed for FY 81. Using that figure as a base and adding a conservative inflation rate of approximately 8% would bring the recommended level for FY 83 funding to $365 million. These funds are needed not as a prerequisite to significant growth in research but as an amount essential to achieving a stable base of research support, and to consolidate the gains made in recent years. This would allow the NINCDS to maintain equal status with the other Institutes of NIH which experienced a much higher percentage rate of growth during the 1970s than did the NINCDS. Without this increase in research, many of the compelling and critical research problems that will be evident in the future years will not be able to be addressed adequately. The funding rates for approved competing new and renewal research grants has been decreasing over the last several years. In FY 1975, 66% of research grants were funded. If the Administration's FY 83 budget proposal is accepted, only 35% of grants would receive funding.

ASHA recommends that $13 million be appropriated for training programs in FY 1983 which represents a $5 million increase in training support.

Without such an increase in training funds, substantial reductions in needed training positions will occur. If this downward trend in funding for training is allowed to continue, the viability of neuroscience and communicative disorders research will be endangered.

Statement of Dr. Larry Davis

Mr. Chairman, I am here today as a representative of the National Committee for Research in Neurological and Communicative Disorders (NCR) which represents more than 50 organizations, both professional and voluntary, in the field. These groups have come together to form a coalition at the suggestion of Congress so that a unified effort may be mounted to increase the federal funds designated for neurological and communicative disorders research allocated to the National Institute for Neurological and Communicative Disorders, Stroke (NINCDS) of the National Institutes for Health. To date, we have been engaged in a wide-spread public information effort to acquaint both public officials and private individuals with our work. We have a continuing grassroots movement that calls on local officials to let them know how important we believe our research to be, both for the general health of our population and as future hope for those estimated 30 million people who currently must suffer and survive with a neurological or communicative disorder.

This year NINCDS received on a three percent increase in its total funding going from $266 million in FY82 to $272 million in FY83 in the President's budget requests. The NCR believes that $272 million is not enough to sustain the research efforts that are needed in this rapidly expanding field. Last year the NCR and its Citizen's Budget Committee recommended that $340 million be appropriated for NINCDS to give this research a much-needed boost. Unfortunately, due to the Continuing Resolution and other budgetary restraints, this amount was not appropriated. This year the NCR wanted to reiterate its $340 million recommendation and increase it only by a very conservative inflation factor of less than eight percent to $362 million for FY83. We know that this amount may be used wisely and well now, given the state of the art in neurological and communicative disorders research.

As a practicing neurologist and chief of the neurology service at the Albuquerque Veterans Administration Medical Center, I have witnessed some remarkable improvements in patient care as a consequence of federal fundings of NINCDS research projects since my residency training 10 years ago. To start with, during my residency the inpatient neurology wards always had five to six patients with Parkinson's disease and myasthenia gravis. At that time these diseases were of unknown etiology and were thought to be essentially untreatable. Now we can effectively treat these patients thanks to NINCDS funded research.

Ten years ago my patients with Parkinson's disease were stuck in bed or required almost continual assistance. My patients were stiff and rigid. Any movement required tremendous effort. One frustrated, elderly man told me that it was like walking through molasses. At that time there was little I could do towards improving movement in this gentleman. He died bedridden several months later. Today, things are different. Neuroscientists have discovered at least 35 new chemicals that are involved in allowing the brain to send signals from one neuron to another. One of these chemicals, dopamine was discovered to be at reduced levels in patients with Parkinson's disease. Neuroscientists have worked out how neurons manufacture dopamine and discovered that a precursor, L-dopa could be given to patients with Parkinson's disease to augment levels of dopamine in the nervous system. As a consequence of this funded research, treatment of Parkinson's disease changed overnight. Parkinson's patients taking L-dopa dramatically become less stiff and can often lead almost normal lives. Today, I rarely have a patient on the neurology ward with Parkinson's disease. They are all treated in my outpatient clinic and live more comfortable lives at home. We still do not understand the cause of this disease or how to prevent it, but federal funding of NINCDS research has given us an enormous improvement in the treatment of this disease. This research has improved the lives of over 100,000 patients with this disease.

Ten years ago patients with myasthenia gravis were always being admitted to the hospital. Young mothers with this disease often spent months on respirators, to weak to breathe on their own. While off a respirator, these patients tired easily often becoming so weak by the afternoon that they became bedridden. Chewing their food became a chore. Severe respiratory infections were common not infrequently causing death. Ten years ago treatment of these patients was frustrating as the few drugs we had were often ineffective. At that time we knew the cause of this disease lie in the nerve-muscle connection (neuromuscular junction) but details of why this neuromuscular junction failed to work properly were not understood. Over the past 10 years NINCDS funded research has resulted in a better understanding of how this neuromuscular junction normally works and how it becomes abnormal in myasthenia gravis. As a consequence, new effective drugs and surgical operations on the thymus gland have been developed. Instead of being hospitalized on a respirator my young mothers with this disease are now at home leading often normal, productive lives.

As a practicing neurologist, my ability to diagnose and localize problems within the brain of patients has markedly improved thanks to NINCDS funded research. Ten years ago if I suspected a problem inside a patient's brain, I had to hospitalize the patient.

Available tests to localize problems in the brain included cerebral arteriorgrams and pneumoencephalograms. These tests were painful, somewhat dangerous, and often did not yield the information I needed. With the advent of computerized tomography (CT scan) and the intense research to improve this technique, I can now obtain the same information simply, rapidly, painlessly, and safely. Hospitalization is no longer required. The information on a CT scan is more diagnostically helpful than that obtained from pneumoencephalograms or cerebral arteriorgrams. Ten years ago most of my patients with neurological problems involving the brain were hospitalized for about one week. Now, the same diagnostic information can be obtained in outpatient clinic setting in two days. On the horizon is nuclear magnetic residence. Preliminary studies suggest that this will give even better images of the brain and will be safer than CT scans since X-rays are not required to obtain the image. More NINCDS funded research will be necessary before this technique becomes practical to use on a routine basis. CT scan and nuclear magnetic residence techniques allow an image of the brain. Thus diseases that destroy the brain substance can be well identified by these techniques. However, many important diseases do not destroy brain substance but only cause dysfunction. Epilepsy, mental retardation, and possibly schizophrenia result from dysfunctions of parts of the nervous system. These patients usually have normal appearing CT scans. Fortunately, federally funded research programs are studying a new technique that looks at brain function rather than structure. Positron emission transaxial tomography (PETT scan) is an exciting new area of research that should allow a better understanding of these complex neurological diseases.

I have used these specific examples to demonstrate what federal funding of NINCDS research programs has resulted in specific improvements in my clinical practice. NINCDS research has advanced understanding of causes of better treatment in many other neurological diseases. Unfortunately, there are still many neurological diseases that are now thought to be hopeless that need further investigation. Of all the major systems of the body, the nervous system remains the least understood. Furthermore, every cell in our body is ruled by the brain. Its commanding presence orders movement, sensation, thought, memory, and ambitions. It is this organ more than any other that makes man separate from other animals.

In addition to being a practicing neurologist, I am also a research scientist. My research involves the study of Reye's syndrome. Over 500 children per year develop this perplexing illness. Eileen, a previously healthy 11 year old girl suddenly developed convulsions and became comatose following an uncomplicated episode of influenza. Two days later in spite of heroic efforts by several physicians and an entire intensive care team, she died. I had to tell her parents that we do not understand the cause of this disease and consequently have few ideas as to how to treat it. We failed in the treatment of this child and fail nationwide more than 25 percent of the time. In my laboratory we are trying to establish Reye's syndrome in mice. We hope by studying these mice to better understand the cause of this disease and hopefully designing better ways of treating it. At the present time, Reye's syndrome is the second most common fatal virus-associated infection of the brain of children. I hope through federally funded NINCDS research that soon this statement will no longer be true.

My interest and training in viral infections of the nervous system came from an NINCDS training fellowship award. Had it not been for this fellowship, it is doubtful that I would have become an academic neurologist and involved in research today. Few medical schools give medical students training in laboratory science. As a consequence, physicians may be skilled in the care of patients but need additional training in research techniques before embarking on independent research projects. The NIH training grant system has allowed this additional training to be acquired. It is essential that adequate funding for this program be continued. Physician scientists have a different and often more clinically relevant viewpoint than Ph.D. scientists. Both are essential for tha advance of knowledge. Yet the number of physicians going into research is steadily falling. Part of this reason is the lack of research grant funding available to these young scientists. Currently, less than one-third of research grant proposals approved by the NINCDS are now funded. This number does not even consider those grants rejected by the NINCDS as being scientifically poor.

From the vantage point of a research scientist, I can clearly see the importance of continued adequate funding for neurologic research. Neuroscience research is now at an explosive, exciting phase and is at the edge of benefiting enormous numbers of people. In the past 10 years there has been an explosion of information in better understanding how the brain functions. The circuitry of the brain is immensely complex. Attempting to follow nerve pathways and understand how they function is rudimentary and has led to limited information. Now, by studying neurochemical transmitters in the nervous system, a powerful new tool towards understanding how brain function works is opening up. Ten years ago we knew just two brain neurotransmitters. Now over 35 have been discovered and their normal functions are actively being investigated. It is only a matter of time before research efforts will give us practical information on how to better treat neurological diseases. The treatment of Parkinson's disease is just one example. However, there is exciting new information regarding normal pain transmission in man. Two new neurotransmitters, enkephalin and substance P, have been found to be important in modulation of normal pain transmission. Work is now underway towards producing new drugs for the treatment of pain. Presently our best pain controlling drugs are narcotics. Unfortunately, these drugs are addictive and subject to abuse. I look forward to the day when I can better control the pain of my patients without these dangerous side effects. As our population gets older, dementia (specifically Alzheimer's disease) is becoming more important. Hundreds of thousands of patients have this disease. Presently, we have no effective treatment for this problem. It is similar to Parkinson's disease 10 years ago where many patients wind up in nursing homes or chronic care units. However, federally funded NIH research in this area in enabling a better understanding of this disease and opening up the possibility for new approaches in the treatment of this disease. There is an enormous wealth of new information becoming available about nervous system functions. Continued funding for research in this area will undoubtedly yield important understanding of neurological diseases and point directions towards improved treatment. At the present time I can only effectively treat about 20 percent of my patients with neurological diseases. I am looking forward to the day that results of NINCDS funded research will allow me to more effectively treat many patients.

STATEMENT OF HELEN CHAMBERS

Mr. Chairman and members of the Subcommittee, I am Helen Chambers, a spokesperson for the Alzheimer's Disease and Related Disorders Association (ADRDA). We are a national nonprofit organization dedicated to the special needs and problems of Alzheimer's disease patients and their families. One of our principal missions is to support research to discover the cause, treatment, and possible cure of this degenerative, irreversible brain disease.

Until recently thought to be the natural inevitable consequence of aging, senile dementia of the Alzheimer's type is a major killer in America today, ranked as the fourth leading cause of death, after heart disease, cancer, and stroke. It currently affects an estimated one and one-half million individuals. Not all of whom are elderly; more than 60,000 people in their 40's and 50's have been diagnosed as having Alzheimer's disease. As it progresses, Alzheimer's causes severe memory loss, speech impairment, and drastic personality changes. The victim often is aware of what is happening -- that something outside his control is taking over his life. The fact that he knows something is going wrong causes him to become angry and frustrated with himself and those around him, especially in cases where there has been no diagnosis. Eventually the disease renders its victims totally incapable of caring for themselves, and they require continuous care.

We know the disease attacks the brain, bringing about a degeneration of nerve endings, thereby hampering the passage of signals among brain cells; without these messages we literally become lost in our own lives. This is necessarily a simple, superficial description. For more complete background I respectfully refer you to the Joint hearings before the Subcommittee on Aging of the Committee on Labor and Human Resources, U.S. Senate, and the Subcommittee on Labor, Health, Education, and Welfare of the Committee on Appropriations, House of Representatives, 96th Congress, Second Session, July 15, 1980, Impact of Alzheimer's Disease on the Nation's Elderly, as well as the proceedings of the Mini White House Conference on Aging, "Alzheimer's Disease and Related Disorders," January 15-16, Bethesda, Maryland.

Mr. Chairman, I realize that this Subcommittee has a difficult responsibility to discharge, particularly in light of this year's economic and budget problems. I also realize that many have come here to seek help for their causes. I am grateful, therefore, for the opportunity you have given me to tell you of some of the concerns that I and a great many other families have who are trying to cope with the effects of this devastating disorder. It might not be pleasant to hear, but statistically some of the people in this room are very likely to become victims of this ailment, and I feel sure some of you already know of someone who has it, diagnosed or not.

The costs of Alzheimer's disease to society in human and financial terms threaten to eventually bankrupt us as a nation, since the number of victims is expected to more than double in the next 50 years. Besides the ever-increasing billions of dollars (estimated last year to have been between 11 and 12 billion) spent on institutional care, other economic costs must include the loss of human capital and resources to employers and society. These numbers do not reflect the personal loss of an individual felt by the family members and friends, who are just as surely victims of Alzheimer's disease also.

I was invited to be here today because my husband has Alzheimer's, and because as first chairperson and later first president of the metropolitan Washington, D.C., chapter of ADRDA I have talked with hundreds of people affected by Alzheimer's or a related disorder. So I speak for them as well.

About one-half of Alzheimer's disease victims in our country are estimated to be in institutions, while the remainder receive care in their own or someone else's home. I take care of my husband at home, partly because our income is not sufficient to pay for a nursing home and provide for me as well, and partly because I feel he is better cared for at home.

He used to be a gregarious, fun-loving, productive person, who managed to be creative and innovative within the framework of the Federal bureaucracy. He was a career employee of the State Department and later the U.S. Information Agency. He loved puns -- he could never resist a play on words. He was an excellent communicator, with a remarkable memory, and it is highly ironic that he has lost his memory and can only speak today in whispered nonsense syllables. After 35 years of marriage he does not know I am his wife; he has not spoken my name in almost five years.

Beginning around the time he retired in 1971, I noticed a change in his personality, at first very intermittent -- bursts of irrational anger, suspicion, misunderstandings over money, errors in judgment, poor driving performance, lapses of memory, "blackouts," and finally actually becoming lost and unable to find his way home. I resigned from my job to stay at home with him when I realized he was in trouble -- at the time I had no idea how seriously. He wasn't an easy person to manage. He would not go to a neurologist. In 1977 there was what seemed to be a sudden catastrophic change in him; he seemed to have lost his mind. I realize now that probably he could no longer cope with his memory loss, even with his numerous notes and lists; he could no longer cover up his growing disorientation and confusion. He was hallucinating, psychotic, frightened, and, when I intervened in any way, combative. Soon he was no longer able to recognize members of the family, nor able to find the right words, in the right order. He quit shaving. His dress and behavior were often inappropriate.

About the same time, he lost the ability to read and write. Too late, I realized he couldn't sign his name anymore; I don't have power of attorney.

Eventually, after several doctors, a number of tests, followed by hospitalization, I was told over the telephone that he had an irreversible brain disorder, and could not be maintained at home; he would have to be in a nursing home for the rest of his life. I was given no explanation of the disease, what to expect, nor how to cope with the enormous problems, both emotional and practical, facing me now.

Not knowing how I was going to pay for it, but so shocked (and distraught from lack of sleep) that I was barely functioning, I visited nursing homes. In a few days I had found an opening for him. He stayed only two weeks -- the institution was unable to handle him. He ran away, he injured other patients (as well as staff) so he was moved by ambulance to a hospital and put in restraints. Ten days of coma followed. No one explained to me why he was comatose, but I suspect he had been over-medicated. When he could swallow again, he was committed to the state mental hospital. While he was there, a social worker tried to help me plan for his future. She tried to place him at a Veterans Administration facility but we were refused because Alzheimer's is not a service-connected disability. Although we have both Medicare and Blue Cross/Blue Shield, I discovered they would not cover my husband's stay at the state hospital after the first six weeks while he was being given more tests and getting his medication stabilized. It was said that he could not benefit from treatment, so our health insurance would not cover him. The psychiatrist there, in the only conversation we had, told me he had a chemical imbalance in the brain, causing cortical atrophy. When I was allowed to bring Snowden home for a holiday visit, I didn't take him back. He had lost 60 pounds, and moved like a zombie.

During the next two years, while I tried to find ways to cope with an unfamiliar dementing illness without going under myself, I set out to educate myself, to learn all I could about this "premature senility" as our family doctor called it, and to devise ways to deal with it. I had come to look upon this as the way in which I now earned my living. I took a course in death and dying. I had deadbolts put on all the doors and to prevent him from wandering. I learned many ways to respond to the constantly-repeated request to be allowed to go home. Slowly, I came to understand that he doesn't really mean by "home" any particular building; he is confused, disoriented, and really trying to tell me he needs reassurance and comforting, and that he longs for the security of a time and place when he felt okay about himself. A smile and a loving touch can often make him feel comfortable with himself again, if only briefly.

Nowadays, he is less active, and no longer paces restlessly all day and half the night. He sleeps or lies quietly most of the time, and seems serene, as long as he is managed well. Seeing that he is managed well is a 24-hour a day task for me, for the Alzheimer's patient is not the only victim of this disease. I am angry that we have been deprived of what should have been a meaningful part of our lives. I am especially angry that Snowden doesn't know that our three sons have grown up to be fine, tall young men, each working successfully in the field he has chosen. He would have been so proud.

I recall that President Kennedy once said that it is not enough to add new years to life, unless we add new life to those years. We engage in discussions over age discrimination or raising the Social Security retirement age, while increasing numbers of our fellow Americans fall victim to a silent epidemic which we cannot legislate against. By the year 2000, nearly two-thirds of our population will be over fifty. Unless we find a way to prevent this disease the costs will run into hundreds of billions of dollars, which could certainly be better spent.

I have given you the negative side of the story, Mr. Chairman, but I also want to tell you why there is good reason to hope. With this Subcommittee's support and with guidance from the National Institutes of Health, some very critical research has begun into the cause and possible treatment of Alzheimer's disease. That research is being carried out by three institutes:

- the National Institute of Neurological and Communicative Disorders and Stroke
- the National Institute on Aging
- the National Institute of Mental Health

That research is beginning to pay off. We have learned, for example, that people suffering from Alzheimer's disease have a reduced level of a particular enzyme needed to manufacture acetylcholine, an important neurotransmitter which plays a key role in transmitting nerve impulses in the brain. Researchers have been able to relate this drop in enzyme activity to changes in memory and orientation. Some hold the theory that perhaps the disease could be treated if we can find a way to restore the brain's supply of this enzyme. This is a giant step forward, but we still have a long way to go.

There is hope that with continued, effective medical research the devastating effects of Alzheimer's disease can be eased, for both its victims and their families. I wish to thank the Subcommittee for its support in the past, and I speak for all of us who hope that continued support will be high on your list of priorities.

Thank you, Mr. Chairman.

STATEMENT OF DR. J. ALFRED RIDER

SUMMARY OF RECOMMENDATIONS

Batten's disease is a neurologoical disorder which may have an incidence as high as 1 in 12,500 births, similar to other diseases such as, PKU and Huntington's chorea. It manifests itself in previously normal children at the approximate ages of 4 to 8 and is characterized by a slow progression of clumsiness, stumbling, failure of vision, seizures, changes in personality and dropping of scholastic grades. The disease eventually leaves them totally disabled and unable to care for themselves and usually ends in death in the late teens or early twenties. These changes are quite similar to the changes that take place in all brains as they age; thus effective treatment for Batten's disease provides the possible spin off of enabling us to alter the aging process of senility in all humans, which makes the value of this research unlimited.

Batten's disease is the only neurological disorder for which animal models are available (dogs and sheep) to perfect diagnostic tests and to develop treatment without jeopardy to humans. Funds are necessary to sponsor the research to uncover the uncounted numbers of children who are at present undiagnosed in numerous state institutions. Further research must be sponsored to better elucidate the pathophysiology of the disease, assist with genetic counseling and initiate and evaluate therapy; such as, feeding or injecting peroxidase and/or various antioxidants. Exciting recent research has shown that the blood brain barrier to brain enzyme therapy can be penetrated.

Recommendations to insure continued support:

(1) That the wording as expressed in the Senate Committee Report of 1981-82 be used in this year's report; namely, "The Committee . . . . .expects the Institute to expand its research on Batten's disease and related areas within the limits of high quality research available".

(2) In your appropriations to the N. I. H. for fiscal year 1982-1983, we recommend that the present level of support be continued so that $700,000 will be available to maintain the present level of research on Batten's disease.

STATEMENT

I am Doctor J. Alfred Rider, President of the Board of Trustees of the Children's Brain Diseases Foundation. It is a pleasure to testify before the Senate Appropriations Subcommittee on Labor-Health and Human Services, Education and Related Agencies and support the budget requests of the National Institute of Neurological and Communicative Disorders and Stroke.

I would specifically like to address myself to the need for continuing the support of funds for research on Batten's disease. Our Foundation has been pleased with the support of this Committee in the past. For example, in the Senate Appropriations Bill for 1981-1982, the wording was as follows: "The Committee .... expects the Institute to expand its research on Batten's disease and related areas within the limits of high quality research available". In the Senate Appropriations Bill for 1979-1980, the wording was as follows: "Batten's disease continues to be a high priority of the Committee. This is a neurological disease which may have an incidence as high as PKU and Huntington's chorea. It is a particularly devastating disease in that it manifests itself in otherwise normal children at a very early age. Increased effort in this area should also be provided by the Institute".

Last year it was our recommendation that approximately $700,000 be set aside for research on Batten's disease by the National Institute of Neurological and Communicate Disorders and Stroke for fiscal year 1981-1982. In spite of continued inflation, we would be happy to hold the line at this level for fiscal year 1982-1983. We feel, however, that these funds are absolutely essential to maintain the present level of research.

It has only been in the last 14 years that an impetus for research on Batten's disease has occurred; largely, as a result of monies from the Children's Brain Diseases Foundation and in the last three years by increased appropriations to and from the N. I. H.

Batten's disease is a neurological disorder which manifests itself in previously normal children at the approximate ages of 4 to 8 and is characterized by a slow progression of clumsiness, stumbling, failure of vision, seizures, changes in personality and dropping of scholastic grades. The disease eventually leaves them totally disabled and unable to care for themselves and usually ends in death in the late teens or early twenties.

One of the most promising theories about the disease has resulted from the discovery of a lack of the enzyme peroxidase in Batten's disease. This results in an accumulation of a yellow pigment, ceroid lipofuscin, in the brain cells producing slow destruction and progressive deterioration. These changes are quite similar to the changes that take place in all brains as they age; thus effective treatment for Batten's disease might delay the normal aging process.

Considerable effort in the last year has been directed toward improving upon a blood chemistry test to identify children with the disease and their carriers. Additional studies have been done on the Kopang dogs which have a disease similar to Batten's disease in humans. For example, Doctor Armstrong has injected several defective puppies intra-arterially with crystaline peroxidase and has been able to show that the enzyme, using this technique, can penetrate the blood brain barrier, and the peroxidase enzyme will get into the cerebral neuron. Of course, much additional work must be done before this technique may be utilized for humans.

Thus, we must continue to make funds available to continue with this vital research to better elucidate the pathophysiology of the disease, assist with genetic counseling, and initiate and evaluate therapy; such as, feeding or injecting peroxidase and/or various anti-oxidants. It has been found, for example, that horseradish and avacado are high in peroxidase. It is possible that pure enzyme may be obtained from the placenta or from DNA altered bacteria.

As a direct result of our International Symposium on Human and Animal Models of Ceroid-Lipofuscinosis held in Roros, Norway, June 1-4, 1980, a book entitled Ceroid-lipofuscinosis (Batten's disease, was published by Elsevier Biomedical Press this year. This will certainly further help to gain international recognition for this disease and should stimulate world wide research.

Research is the only way to solve this disease and prevent the devastating tragedy in families who have children so afflicted and effect tremendous savings to society as a whole. The cost of care for each child is enormous and may be as high as $50,000 to $100,000 a year. Thus, 10 children such as these would cost more per year than the funds we are requesting.

Finally, the possible spin off of enabling us to alter the aging process of senility in all humans makes the value of this research unlimited.

In the last year, research has expanded and is progressing rapidly. This momentum must be maintained.

Because of the constraint on time, I cannot review the research studies underway but I have enclosed them in the prepared Addendum. Suffice it to say that there are over thirty four principal investigators from major universities, medical centers and institutes throughout the world involved in various phases of research pertaining to Batten's disease. If funding is provided, the chances of the development of a specific treatment program in the forseeable future appear to be very good.

ADDENDUM

Scientists Actively Working in Research on Batten's disease

1. Doctor Donald Armstrong
   University of Florida, Department of Opthamology
   Relationships of Peroxidase to Batten's disease
   Canine Retinal Degeneration: An Approach to Therapy
   Peroxidase Deficiency & Peroxidase Regulating Enzymes
   Peroxidase Activity in Human and Canine Ceroid-lipofuscinosis, with Special Emphasis on the Eye

2. Doctor Robert J. Baumann
Department of Neurology
University of Kentucky & Section on Epidemiology OBE,
Office of the Director, N.I.N.C.D.S., Bethesda, Maryland
Leukocyte Ultrastructure

3. Doctor Milton Brightman
Lab. of Neuropathology & Neuroanatomical Sciences
N. I. N.C.S. & National Institutes of Public Health/
Department of Health and Human Services
Transport of Horseradish Peroxidase Across Blood Brain Barrier

4. Doctor Glyn Dawson
Associate Professor, Depts. of Pediatrics and Biochemistry
The University of Chicago
Pre-Natal Diagnosis and Enzyme Replacement Therapy
Approaches to the Detection of Neuronal Ceroid Lipofuscinosis in Cultured Skin Fibroblasts

5. Doctor T. L. Dormandy
Whittington Hospital, London
Free Radicals and Lipopigments

6. Doctor Edward Dratz
Associate Professor of Chemistry & Biochemistry
University of California, Santa Cruz
Measurement of Fluorescent Lipopigment, Peroxidized Fatty Acids, Vitamin E, Effects of Antioxidants on Lipopigment Formation

15. Doctor R. D. Jolly
Department of Veterinary Pathology and Public Health, Massey University, Palmerston North, New Zealand
Ceroid-Lipofuscinosis: The Ovine Model

16. Doctor Edwin Kolodny
Associate Director, Eunice Kennedy Shriver Center for Mental Retardation, Inc., Waltham, Massachusetts
Pathogensis of the Neuronal Ceroid-Lipofuscinosis

17. Doctor Nils Koppang
Veterinaerinstuttet, Oslo, Norway
Histochemical Evidence of Lipid Peroxidation in Canine Ceroid Lipofuscinosis

18. Doctor Martin M. Maltempo
Assistant Professor of Physics, University of Colorado Medical Center
Monitoring of Peroxidase and Free Radicals in Canine Retinal Tissue Subject to a Degenerative Disease in Which There is an Accumulation of Pathologic Lipopigments of the Ceroid Type: A Model for Batten's disease

19. Doctor Jaime Miquel
NASA, Ames Research Center, Moffett Field, CA
Analysis of Pigment Lipofuscin

20. Doctor Erling Gronvold Olsen
University Eye Department,Rikshospitalet, University of Oslo, Norway
Fluorescein Angiography in Ceroid Lipofuscinosis

21. Doctor Vimal Patel
Assistant Professor of Pathology
Indiana University School of Medicine
Antioxidant Treatment of Batten's Disease

22. Doctor Alan K. Percy
Associate Dean, Office of Research, Charles R. Drew Postgraduate Medical School, Los Angeles
Salutory Effect of Selenium, Erythrocyte Glutathione Peroxidase

23. Doctor Michel Philippart
Neuropsychiatric Institute, University of California, Los Angeles
Treatment of Batten's disease with Antioxidants

24. Doctor Mark Poznansky
Associate Professor of Pathology, University of Alberta
Enzyme Replacement and Enzyme Engineering

25. Doctor Raju Pullarkat
New York State Institute for Basic Research in Mental Retardation
Lipopigments in Aging and in Ceroid-Lipofuscinosis
Docosahexaenoic Acid Levels in Brains of Various Forms of Ceroid-Lipofuscinosis

26. Doctor Julius Schultz
Director, Pananicolaou Cancer Research Institute
Miami, Florida
Discovery and Characteristics of Leukocyte Peroxidase and the Purification and Administration to Animals

27. Doctor Gunther Schwendemann
Division of Neuropathology, University Hospital, Eppendorf, Hamburg
Diagnosis of Juvenile Ceroid-Lipofuscinosis by Electron Microscopy of Lymphocytes and of Rectal, Skin and Sural Nerve Biopsy Tissue

28. Doctor Aristotle Siakotos
Professor of Pathology, Indiana University Medical Center
Development of a Reliable Blood Test for Batten's disease
Recent Developments in the Isolation and Properties of Autofluorescent Lipopigments

29. Doctor P. E. Spoerri
Department of Histology and Neuroanatomy, University of Gottingen, Gottingen
Ultrastructural Age Changes in Neurons and Myocardium in Culture. The effects of Centrophenoxine on Age Pigment.

30. Doctor Satish Srivastava
Department of Human Biological Chemistry & Genetics
The University of Texas Medical Branch
Purification and Properties of Leukocyte Peroxidase
Biochemical Studies in Neuronal Ceroid-Lipofuscinosis

31. Doctor Al Tappel
Division of Food Science & Technology, University of California, Davis
Properties and Functions of Flutathione Peroxidase and Pentane Analysis of Lipid Peroxidation Damage to Quantitate Effects in Nutrition

32. Doctor T. Westermarck
Rinnekoti Institution for the Mentally Retarded, Espoo,
Institute of Radiation Protection, Helsinki, Finland
Sodium Selenite Absorption and Losses in Spielmeyer-Sjogren Type of Neuronal Ceroid Lipofuscinosis (Batten's disease) Using Total Body Counting for ^{75}Se Detection
Studies on the Effects of Selenium Administration to Neuronal Ceroid Lipofuscinosis Patients with Special Reference to Reduced Glutathione

33. Doctor John R. Wherrett
Professor of Neurology Program, University of Toronto
Isolation of Fluorescent Material in the Juvenile Form of Batten's disease

34. Doctor Leon Wolfe
Hopital Neurologique de Montreal, Montreal Neurological Hospital, Canada
Characterization of the Accumulated Retinol Compounds in Batten's disease
An Analysis of Urine Sediment in Subjects with Batten's disease

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Statement of Raymond A. Connors

My name is Raymond A. Connors, a Founding Director and President of the Tuberous Sclerosis Association of America, Inc. (T.S.A.A.), and the father of a child severely afflicted with tuberous sclerosis (TS). We are grateful for the opportunity to be here and present testimony on behalf of this disease (TS).

WHAT IS TUBEROUS SCLEROSIS (TS)?

Tuberous sclerosis is a genetic disease with neurological involvement, first identified more than 100 years ago. Despite its long medical history, TS remains little known, poorly understood and frequently misdiagnosed (HEW Fact Sheet, Exh. I; Preface, Tuberous Sclerosis by Manuel Gomez, M.D., 1979, p. xi, which we are pleased to present to this Committee for future reference).

The incidence of TS is thought to be 1:5,000--1:10,000 in the general population (Exh I; Tuberous Sclerosis, Manuel Gomez, M.D., p. xi and p. 216; Exh. IV) TS is as common as many better known diseases such as Cystic Fibrosis (1:6,000), and ten to twenty times more common than Duchenne's Muscular Dystrophy (1:100,000) (Exh. V).

TS symptoms range from mild to extremely severe and may manifest at various stages of the afflicted child's development. In its severe form, TS is devastating and life-threatening (Exh. IV). It affects both males and females and may occur in any race. Some of the known symptoms of TS are epilepsy, mental retardation, hyperactivity, tumors, physical handicaps, developmental delay, characteristic skin rash, and white skin spots.

As one or more of the above conditions appear in the apparently normal child, parents generally seek medical guidance. This is often the start of an endless dilemma. Most general practitioners and pediatricians are not trained in diagnosing TS and are unaware of its multifaced manifestations. (Tuberous Sclerosis, Manuel Gomez, M.D., Preface).

In the case of the TS child first afflicted with hyperactivity or mild seizures, he or she is frequently misdiagnosed as a behavioral problem and/or mildly epileptic. If the first presenting symptom appears to be developmental delay, the child is frequently labeled as being mildly mentally retarded. If the kidneys are affected first, the individual is often misdiagnosed as having kidney disease, and so on. Often, the first presenting symptom or symptoms leads to an incorrect diagnosis since it appears to be appropriate at the time. Unfortunately, this label may continue indefinitely and even lifelong. Today, with new and sophisticated diagnostic techniques, misdiagnosis of TS patients should no longer be the rule, but rather the exception. (Tuberous Sclerosis, Gomez)

Again, Mr. Chairman, the impact of tuberous sclerosis for the patient is devastating and it is life-long. Identified TS children that grow to adulthood seldom have the ability for self-support and/or self-care.

The conseuquences for TS families are monumental---emotionally, physically, and financially. Emotionally, marriages are greatly stressed and often end in divorce; unaffected brothers and sisters are denied a normal family environment. The undiagnosed TS child is often subject to excessive physical and psychological abuse by parents, family members, professionals, and peers who do not recognize that he/she is critically ill. Victims and their families have desperate unmet needs. The physical demands of 24 hour a day in-home care for such children defies adequate description. Financially, the effect can be catastrophic. TS patients require a wide variety of services. Drug, physical, occupational and speech therapy to name a few. Clinical facilities that specialize in tuberous sclerosis care and treatment are non-existent. Society, in general, is unaware that TS exists.

THE TUBEROUS SCLEROSIS ASSN. OF AMERICA (TSAA)

My son, Richard, was born with tuberous sclerosis in 1963. As he began to develop some of the aforementioned symptoms, we sought medical advice. He was repeatedly misdiagnosed until he was 4½ years old. At that time (1968), a prominent neurologist in Boston was able to provide the correct diagnosis in 15 minutes. In spite of his knowledge of TS, the doctor would give no prognosis for Richard and no concrete information about the disease--what to expect, and how to cope with it. We now know he could not. My wife and I began a diligent search for every scrap of information we could find. Unfortunately, there was a paucity of TS material and none for general public consumption. Without knowing it, we were starting the TSAA.

By 1973, we had located several other TS families in Mass. and, with the aid of two physicians, began to have lecture meetings. By 1977, the present medical advisory team and board of directors was complete (Exh.III). In this period of time, our three major pieces of literature for public consumption were also developed (Exhibits I, II, & III).

The TSAA responds to inquiries relating to tuberous sclerosis from all parts of our nation and, indeed, the world. Most of our work has been deliberately focused on Mass. for several reasons: (1) As an unknown entity, we felt we must first concentrate on building a strong base in our home territory, at the same time responding to inquiries from any origin; (2) What we established in Mass. could serve as a model for the rest of the nation; (3) Boston is one of the major medical centers of the world and the hub of Region I.

The TSAA has been able to work with some degree of success at all our goals and objectives (see brochure, Exh. II), with the exception of one---RESEARCH. A small unfunded agency, such as the TSAA, has little prospect of generating the money necessary to implement and sustain ongoing and meaningful research for TS. Recognizing this fact, we began to turn to the federal government for assistance in 1977. We first contacted the Developmental Disabilities Program (P.L. 94-103--P.L. 95-602). This relationship has been a disaster. To clarify our position in opposition to the DD program, please see Exhibits VI & VII. Closer Look, the National Clearinghouse for Human Genetic Disorders, and, especially, NIH, NINCDS, have been very cooperative. NINCDS worked with our medical advisory team to develop and publish a TS Fact Sheet (Exh. I). This is the first federally published literature on tuberous sclerosis. The TSAA has participated in two workshops (1978 & 1981) with the NINCDS. We strongly support increased funding for the NINCDS Neuro-genetics and training programs.

On June 10, 1981, the TSAA gave testimony before the House Appropriations' Subcommittee on Labor--HHS & Education, requesting a study of tuberous sclerosis. The Committee heard our plea and the first report on TS for Congress by NIH has been completed (Exh. IV). The rest of our testimony will be directed to this report, and was prepared by Richard E. Kauff, M.D., Medical Consultant to the TSAA and Assistant Professor, Pediatrics, University of Mass. Medical Center.

House Report No. 97-251 directed the NIH to conduct a study of the state of the science of tuberous sclerosis (TS); this report was completed in January, 1982, and will become part of the record of these hearings. In this report, note was taken of the relative frequency of TS in the population, its genetic origins, the potential for this disease to destroy individual well being, as well as the well being of the supporting family, and the frequency with which this disease is either misdiagnosed or overlooked in the assessment of individuals with developmental disabilities and epilepsy.

Governor King of Massachusetts has signed into law an act mandating the screening and early reporting of new cases of TS in infants admitted to newborn nurseries across the Commonwealth. This act was developed upon the initiative of the Tuberous Sclerosis Association (TSAA) with the support of the Association's medical advisory board who were able to answer all objections to this program raised by the Department of Public Health. The newborn screening program will use an inexpensive source of ultra-violet light (Woods light) to ascertain the presence or absence of characteristic areas of depigmentation in the skin, a noninvasive test taking advantage of a finding present in almost 90% of all those who will develop clinically significant TS.

Representing the Tuberous Sclerosis Association, I am grateful for the prompt action taken by the House and the NIH following the Association's appearance last year. A review of our experience over the past decade indicates increased case finding across the country due to developing physician awareness of this disease spurred, in part, by the activities of the TSAA, as well as by the introduction of newer and more sophisticated diagnostic techniques and by the publication of Dr. Gomez's book, the only publication extant dealing with TS exclusively. Many of the cases being reported to TSAA by anxious parents represent newly diagnosed persons who have had clinically significant manifestations of the disease for more than eight or ten years. All of the testimony regarding the severity and frequency of TS brought to the House last year by the TSAA has been confirmed by the NIH report of January, 1982. I would, therefore, respectfully request specific proposals for the coming fiscal year which would complement and enhance many of the present intramural activities of NINCDS.

First, that a National Consensus Conference be called, sponsored by NINCDS, to address the following issues:

a. the identification of all diagnostic criteria extant in TS;

b. the pooling of current knowledge regarding treatment and health maintenance for TS patients;

c. the cataloging of needs vs. available community supports for TS families;

d. the development of a literature for professional and lay audiences to enhance sensitivity to this common disease;

e. the organization of a national TS registry.

Second, that specific and categoric issues be identified that have never been addressed by the scientific community, issues in urgent need of investigation, including an analysis of how the seizures (epilepsy) of TS patients are different from the general population of epileptics with whom they are often confused. The establishment of early treatment protocols for those identified as having TS at birth and the effects of such treatment on cognitive and behavioral development, as well as continuation of the specific laboratory-based neurogenetics research looking into the molecular biology and chemistry of the TS individual as addressed in the NIH report.

That Congress express to NIH its awareness that TS research must cross many present programmatic boundaries, including activities in neurogenetics research at NINCDS, programs being promoted by Maternal and Child Health and other categoric activities under the National Institute of Child Health and Human Development, and Mental Retardation.

That the NINCDS encourage extramural scientific initiatives for the study of TS-related concerns through announcements in the regularly published NIH Guide for Grants and Contracts.

Last, we respectfully request that this Association (TSAA), when appropriate, be an active participant of any effort(s) initiated by this Committee on behalf of tuberous sclerosis. We have experience and professional resources to make such a contribution.

Tuberous sclerosis is too common and too varied an illness to be lumped with other syndromes in which mental retardation and epilepsy are symptoms. I respectfully recommend that, through the mechanism of a national consensus meeting, TS be made a more visable disease so that research efforts may be supported and that innovations in diagnosis and treatment be more quickly shared with those across the country in need.

In closing, I would again like to thank this Committee for the opportunity to discuss what I consider a most urgent concern. We would be happy to answer any questions you might have.

STATEMENT OF CAPT. JOHN SCHIMMEL

INTRODUCTION:

Captain John Schimmel is Assistant Operations Officer for the United States Army Communications Command based at the Pentagon. He is the father of a 10-year old boy who has epilepsy.

MR. CHAIRMAN:

I am pleased to have this opportunity to speak on behalf of the Epilepsy Foundation of America regarding Labor, Health and Human Services and Education Appropriations for Fiscal Year 1983.

The Epilepsy Foundation of America is the grassroots voluntary organization concerned with the prevention and control of epilepsy and with improving the quality of life for the two million Americans who presently suffer from the disorder.

Few handicaps have been so mysterious and so misunderstood as epilepsy. The person with epilepsy and the family must cope with the adverse effects of the disorder, with expensive medical care, limited employment opportunities and difficult social adjustment.

The people of the United States, through their elected representatives, have created a set of programs that help address the needs of people with epilepsy. At this time when the attention of the President, the Congress and the public is focused upon economic stimulation, limiting federal spending and the transfer of programs to state and local control, we urge you to remember that there are at least two million people with epilepsy in this country who still have severe medical bills, still suffer unemployment and underemployment and still need the drugs which federal research funds make possible.

The Epilepsy Foundation of America joins with the President, the Congress and all Americans in the desire to combat inflation, eliminate waste in government and reward enterprise and initiative. As a private, not-for-profit organization, the Foundation is doing everything it can to use private funds to meet the needs of people with epilepsy. Private contributions only meet a small fraction of the need, however. The government at the Federal, state and local levels must remain the primary source of support for disabled people, and the Federal government must play a leadership role.

As you know, many of these government programs are cost effective. They are investments, like business investments, that bring financial rewards to the investor. For example, an investment in research and preventive health programs now can save the government many times over in future medicare and medicaid payments plus other health care costs. Investments in special education, job training and placement programs which enable handicapped people to become self-sufficient have demonstrated a reduction in federal expenses for welfare, food stamps, SSI, etc. Furthermore, participants in these programs have become taxpayers now able to contribute to the Federal Treasury. We all should look at these programs to determine whether they drain the Federal budget or contribute to it, and we urge you to provide for appropriations that bring a return in both human and financial terms to our country.

On the other hand, not all programs can or should provide a financial return to the Treasury, but they are legitimate and necessary functions of government. Virtually all Americans agree that people with handicaps are entitled to special treatment and assistance from a just and compassionate society. We do not believe that the American public has voted to eliminate or even reduce programs such as Comprehensive Centers for Independent Living, Developmental Disabilities programs and mental health programs. These programs and others combine to make life less harsh for people with serious handicaps and their families.

The Epilepsy Foundation, working in cooperation with 20 organizations in the Consortium Concerned with the Developmentally Disabled has analyzed 30 Federal programs for which you must make recommendations to the Appropriations Committee. This document will be delivered to all of you this week. I wish to call it to your attention and urge you to give the recommendations careful consideration.

The primary reason for my appearance today, however, is to discuss medical research. The Epilepsy Foundation of America, on behalf of the two million people with this disorder, urges you to increase this nation's investment in medical research, particularly research which will lead to the prevention of, better control of and eventually a cure for epilepsy.

Were it not for medical research, my ten-year old son Jim would not be able to function in the classroom or on the playground. You may have seen Jim on the TV ads for the Epilepsy Foundation. He is the "normal kid" in the company of Congressman Tony Coelho, basketball star Bobby Jones and others. Jim has not always been a "normal kid." At the age of four, for no reason that anyone has been able to determine, Jim began having seizures. He has a very rare and serious form of epilepsy which includes several types of seizures - including petit mal, psychomotor and grand mal. His electroencephalogram readout indicated virtually no normal activity. As a result of his seizures, Jim became aphasiac to the point that he could look at a picture of a cow but not say the word. Mental as well as physical retardation set in, but he was still bright. He understood what was happening to him. Without effective medication, Jim's condition would probably have deteriorated and he would have to spend his life in an institution.

However, at about the time of the onset of Jim's seizures, a new medication, valproic acid, became available in this country. It became available because of research sponsored by the National Institute of Neurological and Communicative Disorders and Stroke (NINCDS). Due to the severity of his condition, Jim still takes twenty-three pills per day, but his seizures are under control. In fact, he has not had a seizure in 14 months. His intellectual and physical capabilities have also been restored. Jim goes to school, swims and plays with his friends. He is a "normal kid," and we expect him to grow into a normal adult. I am here to express my appreciation for Federally supported medical research and to urge you to provide the funding needed to sustain that research.

NINCDS, with a current budget of nearly $265 million has responsibility for approximately 600 different neurological disorders. The basic neurological research supported by NINCDS benefits no single condition exclusively. Rather it provides a vital basis for progress in all of them. The Epilepsy Branch of NINCDS, which began in 1966, provides for direct and grant supported research programs for new methods in prevention, diagnosis and improved treatment of epilepsy. Some 60 of the more than four hundred recommendations in the 1977 Report of the Commission for the Control of Epilepsy and Its Consequences concern needs for additional research within the purview of NINCDS.

A vital component of the Epilepsy Branch is the Antiepileptic Drug Development Program. Funding for drug research in epilepsy is particularly important because the population at risk (estimated to be approximately 1% of the total population) is not large enough to make research on anticonvulsant drugs commercially attractive. New anticonvulsants thus fall into that category labeled "orphan drugs." Because of the research funded by NINCDS, we now have drugs which effectively control seizures for 50% of the people with epilepsy. Another 30% realize partial control, but available drugs are not effective for the remaining 20%.

In other words, approximately one million people like Jim are able to lead virtually normal, productive lives because taxpayers, expressing their concern and will to help through their elected representatives, have provided the resources for effective drug research which would not otherwise have been undertaken.

The task is far from over, however. There remain some 600,000 people with only partial relief from seizures, and 400,000 with virtually no relief. Furthermore, the currently available drugs which prevent or reduce seizures often cause debilitating side effects. Researchers are seeking new drugs and variations on existing formulas that will minimize side effects and that will achieve complete control of seizures for all victims of epilepsy. Such research has an additional potential value to society. Individuals who suffer frequent seizures are not able to find employment and are forced to depend on Social Security or welfare benefits. New drugs to control their seizures would make it possible for them to be independent and contribute to rather than receiving help from our society.

Under a contract with the Epilepsy Branch, the University of Utah is screening new chemicals received from academic institutions and the pharmaceutical industry. There are also agreements to screen new chemicals from different pharmaceutical industries in Europe. Some 5,000 components have been screened and of these, several dozen look extremely promising.

Another vital component of the Epilepsy Branch is known as the Comprehensive Epilepsy Programs. These programs are funded by contract to conduct clinical and laboratory research in the diagnosis, treatment, prognosis and prevention of epilepsy. The programs demonstrate to physicians and other professionals the most recent advances in epilepsy research and treatment, and they establish a program for public education. In-patient facilities are made available to patients for periods of three to six months to receive special diagnostic evaluation and intensive treatment of their seizure disorder. The program integrates the management of patients with epilepsy for professionals, paraprofessionals and the lay public.

The cost effectiveness of such research and development has been demonstrated. Improved seizure control has allowed approximately ten to fifteen percent of institutionalized patients to be discharged to their homes; others are sufficiently controlled so they do not present appropriate cases for further studies in the institution.

The Epilepsy Branch of NINCDS has made a tremendous impact on the lives of people with epilepsy and their families. Whether that impact can or should be measured in purely financial terms is debatable. We cannot say with certainty that people with epilepsy are able to pay more in taxes than the research costs after becoming employable specifically as a result of taking medication developed by NINCDS. Perhaps they do. Probably they do. But more importantly, these people, people like Jim, are able to lead more normal and fulfilling lives.

As research continues and new anticonvulsants with less severe side effects are developed, people with epilepsy will be able to become more productive. But we would hope that our values have not reached to the point that economic return is the only justification for Federal support of research. The quality of human life, the ability to participate in one's society, and to control one's own day-to-day activity should be equally valued.

I find it to be significant that the Reagan Administration has endorsed growth in funding for medical research. The 1981 "Program For Economic Recovery" referred to "the Administration's commitment to Federal support of essential biomedical research activities." The Administration's proposed funding level for FY 1982 was to "allow continuation of previous years' commitments and permit substantial numbers of new awards each year." However, in last year's Continuing Resolution, Congress failed to provide funding for medical research even at the Administration's spartan level of $276 million for NINCDS. Rather, the Institute has a budget authority of less than $266 million, and the level of research activity is in decline.

The Administration has proposed less funding for NINCDS for FY '83 than it did for FY '82. If the new proposed funding level of $274 million is enacted, the level of research activity will decline further. Not only will there be less research, fewer clinical trials, and less progress towards effective medications and cures for illnesses, there will also be an attrition in available trained and experienced manpower for future research. To fail to sustain established levels of research threatens our future.

For these reasons, the Epilepsy Foundation of America urges an appropriation for the National Institute of Neurological and Communicative Disorders and Stroke of at least $291 million. That figure, we have been advised, would enable NINCDS to reestablish the level of research activity that it maintained in 1981. That is not too much to ask. It is far below the optimal level of funding that we would prefer. It represents no growth in activity for 1983. It simply maintains a holding pattern until the economic climate improves and we can move forward.

I want to thank you for this opportunity to express my views and those of the Epilepsy Foundation of America on this vital subject.

NATIONAL INSTITUTE OF ARTHRITIS, DIABETES, DIGESTIVE, AND KIDNEY DISEASES PANEL A

STATEMENT OF ROBERT R. HUMPHREYS, ESQ., WASHINGTON COUNSEL, ARTHRITIS FOUNDATION

Senator EAGLETON. We will now have the group from the Arthritis, Diabetes, Digestive, and Kidney Diseases panel. I'm told that Bob Humphreys is going to be our moderator and try to structure this in some way considering the large number of individuals that want to testify. OK, Bob, you start off and try to keep it as structured as you can.

Mr. HUMPHREYS. Thank you, Mr. Chairman. Essentially, if the Chair agrees, we will have two groups of this panel since there are 14 witnesses scheduled to testify. Going in order of the clusters within the National Institute of Arthritis, Diabetes, Digestive, and Kidney Diseases, and starting out with the arthritis muscular skeletal and skin cluster. In the interest of the committee's time, we have agreed to limit our testimony to 2 minutes per witness which should leave us at somewhat less than the 30 minutes allocated to the panel.

To begin with, Mr. Chairman, 36 organizations which are constituents of the NIADDKD have banded together in coalition to support a statement on behalf of that Institute and its research efforts and if the chairman has no objections, we will submit that for the record.

Senator EAGLETON. Yes.

Mr. HUMPHREYS. Mr. Chairman, I am Robert Humphreys. I am Washington counsel for the Arthritis Foundation and I'm speaking on behalf of the Foundation and its subsidiary organizations, its professional organizations.

The administration has proposed an across-the-board NIH funding increase of about 3 percent, but as has been the discomforting trend in recent years, the arthritis research program has not and will not benefit from such an increase.

The disturbing factor is that research awards would be reduced in fiscal year 1983 and the fiscal year 1982 continuing resolution level is less than the amount available in 1981.

Rheumatic diseases affect more than 31 million Americans and the numbers are increasing by more than 1 million each year. Arthritis is America's greatest crippler. More than 7 million arthritis sufferers are mobility impaired, and at least 250,000 children have juvenile arthritis which is more than the number of children who had polio during the most virulent years of that disease.

There are over 100 distinguishable and different arthritic-rheumatic diseases. Some kill and some disable. They affect both young and old, black and white.

Yet with this overwhelming magnitude of problems, the expenditures on the part of the Federal Government for arthritis research amounts to less than $2 per patient in the United States. That contrasts very dramatically with some of the allocation of funds for some of the other disease areas.

In economic terms, arthritis and related diseases are second only to cardiopulmonary disease in their impact. It is now estimated that something on the order of $25 to $30 billion are expended in terms of medical care, quack cures, reduction in earnings, and the loss of tax revenues to the United States because of arthritis.

A small fraction of the amount spent on medical care would lead to improved treatment and therapies and methods of prevention and cure.

Mr. Chairman, we recommend a level for NIADDK of $450 million for fiscal year 1983 which represents a 10-percent incremental increase in each year over fiscal year 1981. That will result in a resumption of our continuing effort to provide substantial research efforts in both arthritis and the other fields of endeavor in that Institute.

The arthritis, muscular, skeletal, and skin cluster should receive $77 million for investigator-initiated research awards. Thank you, Mr. Chairman.

Senator EAGLETON. Very good. Are you going to present the panel?

Mr. HUMPHREYS. Yes; the next witness on the panel will be Roberta DeVito with the American Brittle Bone Society.

STATEMENT OF ROBERTA DEVITO, PRESIDENT, THE AMERICAN BRITTLE BONE SOCIETY

Ms. DEVITO. Good morning. I am Roberta DeVito and I am the founder and president of the American Brittle Bone Society (ABBS).

I want to say thank you. I welcome the opportunity you've given me to speak to you about the brittle bone diseases that the ABBS represents. Those are in particular osteogenesis imperfecta. This is a genetic connected tissue disease of which brittle bones is just one manifestation. And osteoporosis, a disease of progressive bone loss.

Senator Eagleton, I ask that my written testimony in its entirety be included in today's proceeding.

Senator EAGLETON. It will be.

Ms. DEVITO. Thank you. One out of three women and one out of six men who become senior citizens will have hip fractures due to osteoporosis and this will kill 15 percent of its victims. More than $1 billion is being spent annually in the private sector for direct medical costs for the 150,000 hip fractures alone that occur each year. This figure excludes the nursing home care and lost income. Those are substantial figures in themselves.

One-half of all women who have hip fractures enter a nursing home. More than 1 million fractures attributed to osteoporosis occur per year. More than 6 million Americans exhibit some degree of osteoporosis at this very time.

In the United States, osteoporosis and the effects of osteoporosis—that is pulmonary embolism and respiratory failure—account for 18,000 deaths per year. Osteoporosis is the 12th leading cause of death in the United States.

Researchers are now beginning to explore what differences in diet, vitamin D levels, lifestyles, and ancestry can make in the progression of osteoporosis. Estrogen therapy, calcium supplements, sodium chloride treatments, vitamin D supplements, and physical therapy all are areas of ongoing investigations. Much of this work within the NIH, as you can see in the attached schedule of figures that represent the total NIH budget for fiscal year 1981, and which show that $1.9 million, was spent in fiscal year 1981 for the investigation of osteoporosis and with primary relevance on osteoporosis.

My request is that you, through language, permit the NIH to continue the present level of funding research for osteoporosis with an appropriate increase not only to keep pace with inflation and to sustain current research levels, but inspire new investigator-originated research.

At this time, I would like you to take notice of the bottom line figure on page 1 of the blue schedule that is attached to my testimony. These figures represent the total dollars spent across the Institutes of NIH, including 1981, for research on osteogenesis imperfecta. There is at this time no method of carrier identification and no method of biochemical determination for this disease. The $374,000 figure is small for sure, particularly given the severity of the disease, and certainly a much lower figure than customarily warrants your attention. However, I want to make a point here that will express my gratitude for your ongoing response to the need for preferential research attention to this overall crippling disease.

The $374,000 figure represents a 500-percent increase in NIH-funded research over the past 5 years. You are to be applauded and praised for continually inserting language in the budget reports requesting priority attention to a heretofore little-known disease that affects a population of some 30,000 individuals in the United States alone.

Once again, I ask that you request NIH and allow it budgetarily to continue the momentum of research currently being established at the Federal level through the NIH. Thank you.

Senator EAGLETON. Thank you, Ms. DeVito.

[CLERK'S NOTE.—A listing of NIH fiscal year 1981 grant awards for research in osteogenesis imperfecta and osteoporosis was provided by the witness and is available for public inspection.]

Mr. HUMPHREYS. The next witness, Mr. Chairman, is Marilyn Caine, for the Dystrophic Epidermolysis Bullosa Research Association.

STATEMENT OF MARILYN CAINE, ON BEHALF OF THE DYSTROPHIC EPIDERMOLYSIS BULLOSA RESEARCH ASSOCIATION

Ms. CAINE. Mr. Chairman, members of the committee, I appreciate being here today to represent those people in the United States suffering from epidermolysis bullosa. I'm Marilyn Caine, the governmental liaison representative of DEBRA, the Dystrophic Epidermolysis Bullosa Research Association of America.

I'm the mother of a 14-year-old son who has EB. Because EB is an unknown disease, Cal Larson, a 24-year-old young man from Silver Spring, Md., has accompanied me so that you can see firsthand the scarring, crippling deformity this inherited genetic disease can cause as well as other complications such as gastrointestinal and dental problems, difficulty in swallowing, malnutrition, corneal erosions, and carcinoma. EB is a serious, incurable, multisystem disease that compromises the quality of life of its victims and affects the lives of families, family members of thousands of children and adults.

The financial cost of caring for this disease is exorbitant. EB is a killer of infants and young children.

DEBRA supports the NIADDKD coalition and urges that the $450 million requested be funded so that there can be funds available for research of this devastating disease in addition to those programs already funded. We request the Congress express to the NIH its concerns about EB and related diseases and urge the NIH to fund at least one regional multipurpose center for EB and related diseases in 1983 to help the sufferers of EB who can no longer be ignored and pushed aside. They must have help now. Thank you.

Senator EAGLETON. Thank you, Mrs. Caine.

What is your name, young man?

STATEMENT OF CAL LARSON

Mr. LARSON. Cal Larson.

Senator EAGLETON. How old are you?

Mr. LARSON. I'm 21.

Senator EAGLETON. Where do you live?

Mr. LARSON. I live in Silver Spring.

Senator EAGLETON. You live at home?

Mr. LARSON. Yes.

Senator EAGLETON. Do you have some brothers and sisters?

Mr. LARSON. I have one sister who is 3 years older than me and she's normal.

Senator EAGLETON. Have you attended special schools?

Mr. LARSON. I did until about 3 years ago and I stopped because I have anemia because of the disease and I just didn't have enough strength to keep going.

Senator EAGLETON. Have you had a visiting teacher since that time?

Mr. LARSON. I had a teacher at home before I decided to stop and it just took too much energy for it.

Senator EAGLETON. Well, we welcome you here today and we're glad that you could come here. Thank you very much.

Mr. LARSON. Thank you.

Mr. HUMPHREYS. Mr. Chairman, I believe that the National Psoriasis Foundation and Arthritic Children witnesses are not here.

Senator EAGLETON. Well, if they show up later we'll hear from them or, otherwise, we'll put their prepared statements in the record.

Mr. HUMPHREYS. Our next witness is Dr. Arthur Rubenstein, chairman of the National Diabetes Advisory Board.

STATEMENT OF JAMES B. FIELD, M.D., NATIONAL DIABETES ADVISORY BOARD

Dr. FIELD. I'm Dr. James B. Field, professor of medicine at Baylor College of Medicine, and substituting for Dr. Arthur Rubenstein and I'm also a member of the National Diabetes Advisory Board.

Nowhere in medicine in 1982 are opportunities greater to make and implement significant new advances in research and patient care than diabetes. This is primarily due to the foresight and wisdom of Congress which resulted in increased appropriations for diabetes beginning in 1975 but, unfortunately, have not been maintained in the past few years.

Diabetes is a major cause of blindness with approximately 5,000 diabetics becoming blind each year. NIH-supported clinical trials have unequivocably documented the efficacy of photocoagulation in the treatment of this disabling complication. Diabetes is responsible for 50 percent of all the amputations of the foot and leg among the adult population. It accounts for 20 percent of all cases of kidney failure. It's one of the four major risks in cardiovascular diseases. The infant mortality of infants of diabetic mothers is significantly greater than in nondiabetics.

While it's been clearly established that, except for congenital anomalies, mortality and morbidity can be reduced down to that in the nondiabetic with more comprehensive treatment of the pregnant diabetic. Unfortunately, this level of treatment is not generally available to all diabetics who are pregnant. This remarkable achievement reflects the research and clinical care advances which have been made over the past several years. It will not be translated, however, into improved pregnancy outcomes for all diabetics, unless sufficient funds are available to support programs such as those that go on in 20 States under the auspices of the Center for Disease Control and the NIH Cooperative Study which is examining the relationship between the glucose control of blood sugar and the development of congenital anomalies in diabetic pregnancies.

As a consequence of the past expansion of Federal support for diabetic research, significant advances have occurred in almost every area of research, ranging from a better understanding of the genetics, viral, and immunologic factors which are responsible for the development of diabetes, as well as the development of instant infusion to their systems. Other significant examples of research advances are the application of the DNA technology to the production of human insulin, successful transplantation of cells from one animal species to another without immune rejection, an advance which was made in your own State, Senator Eagleton, as well as new tests and techniques to monitor blood sugar regulation.

These advances hold the potential for significantly reducing the economic costs of diabetes, substantially reducing suffering and immeasurably improving the quality of life of the diabetic.

The NIH has been a major source for support for diabetes-related research. Yet at this very moment, because of restrictions and recent appropriations for the NIH, especially the NIADDKD, this research effort is teetering on the brink of disaster. The current NIADDKD budget will allow funding for only one of every four scientifically meritorious research proposals. It will not provide appropriate support for an NIADDKD support of collaborative study addressing the question of whether meticulous control of the blood sugar will prevent or delay the degenerative complications of a disease which affects the eyes, the kidneys, the nerves and the blood vessels to the heart, the brain, and the extremities. It will not provide for the influx of young, new, highly trained research scientists who are absolutely crucial for the future advances in diabetes to finally control and cure this disease.

The National Diabetes Advisory Board believes that a significant increase in funding is absolutely necessary if the progress made in the past is not to be irretrievably lost. We strongly urge the budget recommendations which are included in the formal statement that I submitted to you. As a consequence of recent restrictions in the NIH budget, especially the NIADDKD one, we face the real and serious prospect of dismantling research units, manpower and training centers, patient care facilities, and statewide programs. This will literally set back the progress of diabetes for a generation.

In view of the economic cost of the disease and the lives of the 6 million American children and adults who have the disease, it would be a real tragedy if the remarkable progress which has been made recently were to be halted because there was not enough money in 1983 to support research for diabetes and related programs. Thank you very much.

Senator EAGLETON. Thank you, doctor.

Mr. HUMPHREYS. Dr. Charles Clark with the American Diabetes Association.

STATEMENT OF CHARLES CLARK, M.D., ON BEHALF OF THE AMERICAN DIABETES ASSOCIATION

Dr. CLARK. I'm Dr. Charles Clark, representing the American Diabetes Association. I'm professor of medicine at Indiana University and director of the Diabetes Research and Training Center at Indiana University. Today I'm speaking on behalf of the American Diabetes Association.

In order to save time, I will submit testimony for the record. What I would like to do primarily is to focus on some details of what budgets currently presented will cost as far as the Arthritis and Diabetes Institute and our recommendation.

First of all, overall diabetes research extends to a number of institutions and although we're testifying here primarily for the Arthritis and Diabetes Institute we support an overall NIH budget increment of approximately 8 percent. That's based upon what we felt has been sort of a gentlemen's agreement about what the floor for research grants is, which is 5,000. If the current budget is approved, we're talking about an increment of 5,000 to 4,100 grants or 900 individuals who could be funded and would be funded under normal circumstances. These people cannot come in and out of research. These are people with careers. These are people who will do other things. Our data suggests that two-thirds of these individuals will leave the research arena forever. People go into practice or into other endeavors. So we're shrinking the research base by 20 percent. We're talking of a difference of $170 million for the total overall NIH budget between what the President has asked for and what we feel is appropriate.

To face the Arthritis and Diabetes Institute directly, for the first time since 1975, our budget took an absolute decrease. We dropped 120 grants. One hundred and twenty individuals will not be funded in 1982 that would have been funded under the 1981 budget. That's almost a quarter of all the grants. We're going to draw another 50 grants this year because we feel we would like to get back just to where we were in 1981, and that would be a minimum of $420 million.

It is discouraging to write grants and not get them when they're good grants. People in our institution, for example, who had funding for 8-to-10 years who were doing good research were not being funded this year and will not be funded next year. Somewhere between one out of every four and one out of every five grants will not be funded or will not be funded under this 1983 budget. We would like to get that at least to the traditional value which was about 35 percent. Again you come up with a minimum budget of about $420 million for the institute as a whole.

Finally, I'd just like to point out R&D priorities. The President's budget overall for research and development for defense, NASA, NSF, provides a 10- to 11-percent increment. The increment in the research and development budget for defense is $4 billion, which is larger than the entire NIH budget. It seems to me that if we can have an overall R&D budget increase of about 10 to 11 percent, we ought to have an R&D increment in NIH of 8 percent. Thank you very much.

Senator EAGLETON. Thank you, doctor. I would fully agree with you but not everybody else does.

Mr. HUMPHREYS. Finally, for this group, on behalf of the Juvenile Diabetes Foundation, Mrs. Jean Schneider.

STATEMENT OF JEAN SCHNEIDER, PRESIDENT, JUVENILE DIABETES FOUNDATION

ACCOMPANIED BY JANE COBB

Mrs. SCHNEIDER. Senator, I'm Jean Schneider, president of the Juvenile Diabetes Foundation.

The record is clear that NIADDKD is the only institute besides cancer to be cut in 1982 and as Dr. Field has indicated, the opportunities in diabetes research are phenomenal. There have been numerous research advances in a remarkably short period of time that the Federal Government has supported to a substantial degree. A listing of these advances are in my testimony.

Among the most exciting is the islet cell transplantation done by Dr. Paul Lacey at Washington University. This could be the cure that we so desperately hope for.

We, in the Juvenile Diabetes Foundation, are particularly concerned about the proposed cutbacks in training which could reduce the number of trainees from almost 10,000 to less than 9,000. I know this is a particular interest of yours. We need to know that young investigators will remain in biomedical research during the next decade. These vital training funds must be restored.

I would like Jane Cobb to say a few words.

Senator EAGLETON. Miss Cobb.

Miss COBB. Thank you, Jean. I too am a member of the Juvenile Diabetes Foundation. My name is Jane Cobb and I'm from Bloomfield Hills, Mich. I've been a diabetic for 35 years. I was first diagnosed at age 2½ and at that age each and every day my parents had to give me an insulin injection. They had to watch me very carefully to make sure that I ate the right things and ate at the right times. I was different.

Then, at age 15, one of my friends came up to me and said, "Jane, you are going to die at age 30 because you have diabetes." Well, I made it. I'm over 30. And that's the first thing I thought of on my 30th birthday.

I was always different because I had to maintain the proper control between insulin, exercise, and diet. Then, after I graduated from college, I realized the dream of my life. I went to New York City and worked in a large retail firm. Everything was fine for about a year and a half and then, blindness—blindness from diabetes. What would happen to me next? Kidney failure from diabetes? Heart failure from diabetes?

If my eye problems had happened now instead of 15 years ago, I would actually have a chance of still having my sight because of the wonderful, wonderful work done by the NIH. I was fortunate enough 1 week ago to visit the NIH and I heard five doctors speak in the field of diabetes and I was thrilled because each of these doctors said that there is a chance, there is light in the future, but we must continue supporting these doctors. We must continue supporting this research. We must continue supporting the young investigator who will give us new ideas for the future.

I and 11 million other diabetics ask you to please, please give us funds so that we may find a cure. We must defeat diabetes. Please, don't let diabetes defeat us.

Mr. HUMPHREYS. Mr. Chairman, that concludes the first group of this panel.

Senator EAGLETON. We compliment the panel on the persuasiveness of their testimony. Each witness has made a significant contribution to this hearing and I'm grateful to you all. Thank you very much. Your prepared statements will be inserted in the record at this point.

[The statements follow:]

STATEMENT OF ARLENE PESSAR

I am Arlene Pessar, Founder and Executive Director of the Dystrophic Epidermolysis Bullosa Research Association (D.E.B.R.A.). I am a registered nurse, and the mother of an 11½ year old son who has lived with a severe form of epidermolysis bullosa since birth. D.E.B.R.A. is a newly formed national voluntary organization of patients, families and concerned individuals representing the needs of persons who suffer from epidermolysis bullosa (EB), a serious, chronic and life-threatening genetic skin disease.

This is the first time members of our group are testifying. We are honored to be here and grateful for the opportunity to express our concerns about the limited funding for skin diseases generally by the National Institutes of Health, and specifically by the National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases (NIADDK). As one of the voluntary health agencies that comprise the NIADDK Coalition, we urge the Congress to approve a funding level of at least $420 million for the NIADDK for Fiscal Year 1983.

I would like to give the Committee some background information on D.E.B.R.A. In late 1979, I sought out other concerned parents and physicians and together we started the Association. In less than three years we have formed a support and educational network that covers the entire country, and our influence has spread throughout North and South America and Europe. We are now working hard to establish our own research fund, and have been successful thus far in funding three small research projects. It is our hope, however, that the Committee will recognize the seriousness of EB and our government will become partners with us in our task by increasing the research support provided by the NIH for this genetic disorder and related skin diseases.

Rather than going into a long and detailed personal account of my son, Eric's, case, I am going to try and summarize some of the medical, psychological, sociological and financial problems patients with EB and their families face.

EB is a complex heterogeneous group of inherited disorders characterized by the formation of blisters and open sores following mild trauma. In its mildest forms the blisters may be confined to the hands and feet. In its severest forms the skin is so fragile that the slighest touch can cause massive damage to the skin. The dystrophic forms show widespread blistering and erosions which heal slowly, or sometimes do not heal, and result in pain, scarring, deformities, contractures, malnutrition, anemia, gastro-intestinal problems, dental problems, corneal erosions, and carcinoma. Many patients with EB look as though they have been severely burned.

No reliable figures are available on the incidence or prevalence of EB. However, based on the numbers of persons contacting our organization in the past 2½ years, we estimate that as many as 10,000 - 15,000 Americans suffer from EB. Because of its genetic component, an additional 20,000 - 30,000 people may be carriers. At the present time there is no test to determine who the carriers are.

Because EB is classified as a "skin disease" rather than a genetic defect, it does not receive the same attention given to other inherited disorders. Furthermore, skin diseases are not perceived to be of major concern in terms of disability, morbidity and mortality. IN REALITY EB IS MUCH MORE THAN A SKIN DISEASE! It is a serious and incurable genetic defect that severely compromises the lives of thousands of young children, adults and their families, as do cystic fibrosis, hemophilia and sickle cell anemia. Although cystic fibrosis is considered to be the leading genetic killer of our young, EB may, in fact, kill more infants and young children. The fortunate children who survive infancy usually succumb in their teens.

There is limited treatment and no known cure for EB. Similar to burn patients, control of infection and avoidance of trauma are the primary considerations. Many patients experience difficulty in swallowing due to mucous membrane involvement and esophageal strictures, so eating solid food becomes a challenge. Ingenious and effective ways of food preparation must be learned. Activities, such as crawling or walking, can be a painful chore and maintenance of normal functioning of the extremities and prevention of contractures is imperative, but may be an impossible task. Surgery to restore function of webbed hands and feet serve only as temporary measures.

In 1980, it was found that Phenytoin (Dilantin) may be of value to some EB patients. However, this potent drug is of limited use to a small percentage of patients and most still suffer from the debilitating symptoms. Also, Dilantin has some unfavorable side effects and some physicians have concluded that treatment with Dilantin can be worse than the disease itself.

Many of these children are ostracized because of disfigurement and deformity, and choose to hide behind closed doors to avoid the stares of curious people. If they are fortunate enough to attend school, absences tend to be excessive. Many EB patients experience low self-esteem and poor self-image because of the stigma attached to the disorder. The psychological and sociological implications of EB on the patients and the entire family cannot be covered in a few simple sentences. A child with EB consumes much of the parent's time (usually the mother) and family activities have to be curtailed. Siblings suffer because they feel less loved. The divorce rate and broken family relationships is widespread and extremely high among families who have an afflicted child.

The costs of caring for an EB patient can be exhorbitant, sometimes running as high as $10,000 annually, just for protective dressings, antibiotics and high protein foods. Most insurance plans do not cover EB. In most states EB is not covered under existing Crippled Childrens or Developmental Disability programs.

The economic burden of this disease falls most heavily on young married couples at the peak of their lives. Due to the chronicity and extensive disability of EB, the financial drain on families is staggering. Many of these children are referred to state institutions and the cost of custodial care rests on the U.S. tax-payer. One such child received national attention when his plight with EB appeared in newspapers throughout the world. Michael Hammond was affectionately known as "The Crisco Kid" because those involved in his care felt that Crisco reduced his pain and blistering. Michael's story was televised last year on PBS and previewed in the White House Family Theatre by President Reagan's special assistants, members of the press and the National Office on Disability. While this film powerfully illustrates the tragedy of EB, unfortunately it did not point out the desperate need for research and education. Health agency personnel often recommend that parents get divorced so that, if available, their child can become eligible for state benefit and/or SSI. The loss to the country for an adult patient with EB is extremely costly in terms of dollars and lost productivity.

Although medical literature mentions EB as early as 1869, it is still considered to be an extremely uncommon disease. Physicians are seldom taught about it and most still cannot accurately diagnose or treat it. As with many other misunderstood and unknown disorders, inhuman and ineffective treatments have been tried: special diets, creams and lotions, megavitamin therapy, faith-healing, even exorcism. EB patients and their families run all over the world searching for unproven cures and miracles to try to ease their pain and suffering. As a result of extensive publicity, more than 35 patients from the U.S. and Canada have gone to West Germany to be "cured" by a researcher who uses an exclusive, secret and expensive method of diet, pills and special creams. Public donations of close to $1 million dollars have paid for these trips. Due to public pressure, the Canadian government recently announced that a major grant will be awarded to a well-known university in Canada to finance a research center for EB, and related skin diseases.

We have recently been advised that NIADDK will be issuing a program announcement soliciting applications for research on EB. We are very grateful to them, but because the skin disease program at NIADDK is small, and no specific funds are set aside for research on EB, interested investigators and scientists are discouraged from submitting grant proposals.

In 1981, out of the Institute's budget of $369.3 million approximately $150,000 was provided to support research grants of high scientific quality in areas related to EB. A similar amount is expected to be awarded in 1982. While we recognize the dilemma this Committee faces due to the current economic problems of the country, the appropriations for EB and related diseases must be provided so that quality proposals for the study of this group of diseases receives equal and fair consideration. The few investigators interested in EB must have the financial support needed to carry out the work that must be done, so that people afflicted with these diseases receive the same quality health care and support of other "well-known" genetic diseases.

Last April the NIADDK sponsored a workshop on Disease Mechanisms of Epidermolysis Bullosa. One of the conclusions of the workshop was that EB is a multi-system disease; the best approach to study it is through a comprehensive approach to treatment. It was recommended that regional multi-purpose centers be established for EB and related skin diseases based on the successful model already developed and supported through NIADDK for Arthritis. These centers would focus on research, education and patient care.

I am pleased to report that several proposals for such centers will be submitted in the future. Each proposal will set forth a multi-disciplinary research program. They are programs that lend to close working relationships between patients, health professionals and government. They would also provide scientists engaged in research with groups of patients whose diseases could be more conveniently studied. We sincerely hope this Committee will agree to urge the Institute to fund, at least, one of these centers this year. If funded such a project will certainly start to answer some of the many questions about EB and related skin diseases.

Whether research monies for EB should be earmarked or if special language is appropriate, I am not qualified to say. But as a mother of a child who endures the intense devastation and suffering of EB, I am very much aware of the importance of finding the causes, treatment and prevention for this group of diseases. IT HAS BEEN PUT OFF LONG ENOUGH. IT CANNOT WAIT ANOTHER FIVE OR TEN YEARS. It must be done now so that future Erics have the chance at a more normal childhood that was denied my Eric.

Mr. Chairman, members of the Committee. We know this may be an extraordinary request to make of your subcommittee, but we know the battle against EB requires extraordinary measures.

On behalf of all the people concerned about EB, I thank you.

NIH
APPROPRIATIONS

	FY 1980	FY 1981
NIADDK Budget	$340,131,000	$369,292,000
Skin Diseases Budget	9,476,000	10,596,000
EB Related Budget *	547,120	676,167

*Of the EB related budget, approximately one-fourth is considered to be directly concerned with EB.

The EB related budget figures are derived from a systematic search of grants supported under the headings of vesiculobullous diseases and genetic connective tissue defects. It is approximated that one-fourth of the total was directly concerned with EB, and thus the approximate figure of $150,000 was provided. The figure for 1981 includes NIADDK support for the "Workshop on Disease Mechanisms on Epidermolysis Bullosa" in the amount of $25,794.00.

Source: Letter from Lawrence E. Shulman, M.D., Ph.D., Associate Director for Arthritis, Musculoskeletal and Skin Diseases, National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases dated January 27, 1982.

STATEMENT OF DR. JAMES B. FIELD

I am Dr. James B. Field, Professor of Medicine at Baylor College of Medicine, Houston, Texas. I represent the National Diabetes Advisory Board, which was established by Congress to review and evaluate the implementation of a long-range diabetes plan and to report annually to Congress and the Secretary of HHS on recommendations for future policies, programs, and budgetary requirements. Our latest annual report has recently been completed and we are awaiting clearance from the Department of Health and Human Services to print it. The report will describe the tremendous progress of the diabetes program during the last few years and the significant opportunities for future advances both in research and its application to treatment. I will confine my remarks to identifying the highlights of that report.

The war against diabetes is at a crossroads. Advances in basic and clinical research have begun to be applied to the prevention, diagnosis, and treatment of individuals with diabetes. Scientists, physicians, other health care professionals, educators, individuals with diabetes and their families are ready to utilize these new findings and to translate them into effective programs to improve the outlook for people who have diabetes.

Two years ago, the Board's annual report began with the bold statement, "Not since the discovery of insulin over half a century ago has the outlook for clinical advances in the treatment of diabetes been as promising as today." Developments during these past two years have more than justified this optimistic vision. However, the cutbacks in Federal support for the programs that are the bases for these advances now threaten to slow or even stop these critical initiatives. This must not occur. It would be a tragedy of immense proportion.

The Problem

Diabetes affects almost six million people in the United States, and approximately thirty percent of these require insulin on a daily basis, many beginning in childhood. Furthermore, several million additional persons may have undiagnosed noninsulin-dependent diabetes. Diabetes is an extremely serious disease. In addition to being an acute threat to life and a lifelong illness, diabetes typically results in chronic and disastrous complications that affect the fetus, kidney, eyes, nerves, and blood vessels of the heart, brain, and extremities. Federal agencies have provided the following examples of the impact of diabetes in this country:

- Each year, approximately 5,000 diabetic patients become blind. Thus, diabetes is a major cause of blindness.
- Diabetes is responsible for almost 50 percent of the amputations of the foot and leg among adults.
- Diabetes is responsible for about 20 percent of all cases of kidney failure.
- Infants born to mothers with diabetes have an increased rate of mortality, congenital malformations, respiratory distress, and other serious medical problems.
- Diabetes is one of four major risk factors for cardiovascular disease.
- Diabetic patients spend twice as many days in the hospital as persons without this disease. Over 2 million individuals with diabetes require hospitalization each year.

The cost of diabetes increases daily. Since the National Commission on Diabetes submitted its report in 1975, the cost of medical care for the diabetic patient and the losses due to disability and preventive mortality have almost doubled to $9.7 billion annually. Each year, patients with diabetes account for over nineteen million visits to physicians and for 10 percent of all hospital days, for a total of more than twenty-one million hospital days. One in every seven patients in nursing homes has diabetes. Forty percent of the diabetic population is age 65 and older, and many are poor. Thus much of the economic burden falls on public programs such as Medicare and Medicaid. Medicare also supports the End-Stage Renal Disease Program, which now includes more and more diabetic patients with kidney failure. Other portions of this mounting burden fall upon almost every Federal health care program.

Achievements and Opportunities

There has been remarkable progress in both basic and clinical biomedical research. Significant advances have occurred in almost every area of investigation, ranging from a better understanding of genetic, viral, and immunological factors which underlie the development of diabetes to the development of insulin infusion systems (pumps) and laser beam photocoagulation therapy for diabetic retinopathy to reduce blindness. Other noteworthy examples of research advances include: recombinant DNA technology to produce human insulin; successful transplantation of insulin-producing cells from one animal species to another without immune rejection; new knowledge of the fundamental processes involved in the synthesis, secretion, and action of insulin, including insights into the mechanism responsible for the decreased ability of insulin to regulate glucose metabolism in Type II noninsulin dependent diabetes; and new tests and techniques to monitor blood sugar control at home and the demonstration that meticulous control of the blood sugar reduces obstetrical complications in diabetic mothers and perinatal morbidity and mortality in their infants. This progress, covering a broad range of research endeavors, has defined the problem and provided new approaches that can limit the severity of some complications of the disease, reduce its economic impact, and improve the quality of life for persons with diabetes.

The National Institutes of Health is the major source of support for diabetes-related research. Because recent appropriations for NIH have been severly restricted, the Board believes that a significant increase in funding is absolutely necessary if the progress made in previous years is not to be irretrievably lost. We therefore, endorse the budget recommendations included in the Board's last report. The proposed budget for FY 1983 is included in the summary of recommendations.

Future advances in diabetes research will be highly dependent on an influx of new, young, highly trained research scientists. Initial training of these individuals is primarily supported by the National Institutes of Health through two programs: individual fellowships and institutional traineeships. Unfortunately, expanded opportunities for research are occurring at a time when the training of potential investigators in the basic and clinical sciences related to diabetes is being reduced significantly by current policy and budgetary restrictions. For example, the decline in the number of individual fellowships in diabetes has been so precipitous that only 24 or fewer will be awarded in 1982 compared with 66 in 1978. Since 3 to 5 years is needed to train a new investigator, immediate reversal of the current trend is required if we are to avoid a long-term and only slowly reversible problem in the future. If more support for training and fellowships is not forthcoming, the outlook for discovering a cure for diabetes or methods to prevent its complications will be severely truncated.

No greater opportunity exists in medicine for applying research advances to the prevention and treatment of a disease than with diabetes. The potential cost benefits are tremendous, the reduction in human suffering substantial, and the improvement in the quality of life for patients with diabetes immeasurable. For example, general application of today's treatment advances could reduce new cases of diabetes-related blindness by 20 percent - at a savings to Federal agencies of at least $9 million a year in current disability payments and benefits. The risk of most diabetes-related complications associated with pregnancy can be significantly reduced today, potentially saving from $10,000 for each week of intensive care nursing for sick infants to $1 million for the lifetime care of a severely handicapped infant. Another modest and realistic goal today is a 10 percent reduction in amputations - saving $22 million a year in direct hospital costs, much of which is now paid by Federal agencies. Additional savings are possible in the area of diabetes-related kidney disease since 20 to 25 percent of all kidney dialysis patients have diabetes. The total End-Stage Renal Disease Program now costs Medicare $1.8 billion annually. Through the application of current techniques and knowledge, the annual savings in all of these areas would be more than sufficient to fund the cost of the diabetes programs described in the Board's report.

Prevention and treatment measures are now available to reduce the extent and impact of some complications of diabetes; yet the dissemination and effective use of these advances has been restricted by impediments in our diverse health care system. Cooperative Federal-state diabetes control demonstration programs coordinated by the Centers for Disease Control have recently begun to identify these impediments and to develop appropriate community-based interventions. Initial reports from these demonstration programs indicate reductions in diabetes-related mortality and morbidity. Most important, the demonstration projects are beginning to achieve savings in health care expenditures that are several times greater than the cost of the interventions. These exciting developments have major implications for the entire nation and should result in benefits to the medical, social, and economic aspects of many chronic diseases in addition to diabetes.

The CDC-state projects support statewide planning, epidemiological studies, and patient and professional education, as well as the integration of all these activities into a coordinated program for improved preventive services to persons with diabetes. While the definitive results are still ahead, current experience and knowledge gained in these projects should be disseminated and applied on a wider basis. Therefore, the Board recommends that the CDC budget for this activity be increased to strengthen the existing project states, to disseminate current knowledge and experience to additional states, to conduct training in diabetes control methods, and to integrate the prevention and control strategies found to be effective into total diabetes control systems in selected communities.

In summary, the promise of potential advances today in diabetes may be greater than in any other area of medicine. This rapid rate of progress began just six years ago with the Federal initiative in diabetes. The wisdom of that initiative is now evident, and the momentum must be sustained. Yet, within the last two years, severe constraints have been placed upon the biomedical research base, and the training of young new investigators, and community demonstration and information activities. These programs must not be strangled just as they are beginning to advance every aspect of the diabetes program.

The Board has carefully reviewed the major Federal diabetes programs and has assessed their financial and personnel needs. We urge the Congress to study this report, to note the potential, and to take advantage of the promise which further basic and clinical research and their application will have on the medical, social, and economic costs of diabetes. It is imperative to increase significantly the financial and personnel resources above those projected in the Administration's FY 1983 budget.

Budget Recommendations for FY 1983
($ in thousands)

	Diabetes Budget
National Institute of Arthritis, Diabetes, Digestive and Kidney Diseases	$124.0
National Heart, Lung, and Blood Institute	25.4
National Eye Institute	27.9
National Institute of Child Health and Human Development	13.9
National Institute of Neurological and Communicative Disorders and Stroke	8.0
National Institute of Allergy and Infectious Diseases	5.5
National Institute on Aging	4.2
National Institute of Dental Research	3.0
National Institute of General Medical Sciences	2.0
National Institute of Environmental Health Sciences	.5
Division of Research Resources	19.7
National Institute of Mental Health	1.5
Centers for Disease Control	9.0

NIH: The primary component of the budget recommended for the NIH diabetes program is $124.0 million designated for the National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases, the lead federal agency for diabetes related research. These resources will restore support for competing investigator-initiated research grants in diabetes and related areas to the priority score paylines and award rates realized during fiscal years 1977-80, and provide full support for the institute's 11 diabetes centers. Similarly, research training and related manpower development awards will be supported at a level commensurate with the program's extramural research base. These resources will fully support continuation of the clinical trial on prevention of the complications of diabetes as well as the intramural research programs in diabetes and related areas of endocrinology and metabolism. The diabetes budgets recommended for other NIH institutes represent a comparable commitment to fully capitalize on new and promising opportunities in both the basic and clinical sciences which are fundamental to development of improved medical capabilities for the diagnosis, treatment, cure, and prevention of diabetes and its complications.

CDC: The Board's budget of $9 million for CDC is needed to continue and expand the diabetes control demonstration program. This budget includes $7 million to continue the current 20 state projects, $1 million for training and dissemination activities to additional states, and $1 million to initiate two community-wide demonstration efforts. In addition, we recommend hiring authority for ten new positions.

STATEMENT OF DR. CHARLES CLARK

Introduction - The Importance of Biomedical Research

We appreciate the opportunity to testify on the FY 1983 appropriations for the Department of Health & Human Services, particularly on the NIH appropriation and we thank you and the

Subcommittee for the opportunity. This Subcommittee has been a protector and advocate of NIH and its programs for many, many years. The preeminent position of the United States in biomedical research and technology, an important element in our overall strength as a nation, is due in no small part to this Subcommittee. Yet, Mr. Chairman, we of the American Diabetes Association believe that this preeminent position and our ability to generate new knowledge, as well as to capitalize fully on what we now know, is in jeopardy. We have a current budget for NIH which has the lowest increase in recent NIH history and which includes an actual cut in research funds for NIAD&D&KD. While it is true that social programs generally have suffered deep cuts in FY 1982, and possibly in FY 1983, and NIH generally has a small increase now and proposed, we must still voice our concern about the plight of research support. The loss of real purchasing power for all research activity, the very low number of new research grants and trainees estimated for FY 1983, and the inability to fund needed clinical trials, will incapacitate our research effort in the long run.

Advances in Diabetes Research - An Example of NIH Productivity and Continuing Need

Mr. Chairman, to save time and space, we are submitting for the record an NIH article from the February 5, Journal of the American Medical Association, describing the major advances in diabetes research and their clinical implications.

The Administration Budget for FY 1983 for NIH

We are submitting the ADA Position Paper adopted by its Board in February on NIH Research and related areas for the record which expounds on the lack of adequate budget support for NIH and other research programs. We will summarize parts of it.

In FY 1983, the Reagan Administration proposed an 11% increase for all Federal research and development activity. The increase for NIH, however, is only 3%. The Defense R&D budget for military technology and methods increases by 20%

and the NASA budget for space technology and systems by well over 10%. As part of our testimony, we have included a chart (the last page in the entire package) showing how this FY 1983 budget and some prior ones are creating real losses in support for NIH research measured in 1970 dollars. Why should support for biomedical technology and systems of preventing disease and its complications be supported less than other Federal research when our biomedical research has been productive in economic and human terms and has such great potential to assist in the development of non-biomedical knowledge and technology, e.g., DNA. In FY 1983, under the Administration budget, NIH will support only 4100 new research grants or only one of every four approved applications. (This means about 1-of-6 applications.) In FY 1979, NIH supported 6000 new research grants and there was a bipartisan commitment to stabilize NIH support so that at least 5000 new grants could be supported each year. In this period, 40% to 50% of approved applications were being funded. In FY 1982, we have already fallen to an estimated 4700 or so new grants. We cannot continue this precipitous decline or we will lose our future research capacity. Young scientists will not stay in the field of biomedical research if chances of being funded are 1 in every four approved projects and 1-in-6 of all projects. Physician scientists will enter medical practice and non-physician scientists will move to more stable research fields or some other area of endeavor. To be funded at NIH in FY 1983 under the Reagan Administration budget, a researcher will have to write almost a perfect grant; one that has a score of about 170 on a scale of 100 (perfect) to 500. NIH has generally been funded at levels where projects scored at 220 to 240 and seldom, until recently, have scores as good as 200 not been funded.

NIH Budget for Fiscal 1983 - ADA Recommendation

The American Diabetes Association testified in 1981 for an NIH budget increment of about 7%. This was the minimum increase we felt necessary to keep pace with inflation. Whereas the initial Reagan budget for NIH in fiscal 1983 proposed a 7% growth rate for NIH, this was later reduced to 2%.

We strongly feel that the NIH budget should be increased by at least the inflation rate for biomedical research, about 8%. This will still be less than the overall research and development increase for the entire Federal budget but it would increase the NIH budget such that it could continue to fund 5000 new grants per year which is the traditional figure over the last 5 years. It could also support in full the 9 high priority approved NIH clinical trials. An 8% increment would require an increase of $170 million over the President's budget for NIH.

RECOMMENDATION: We recommend that the total NIH budget should be increased by 8% ($3.640 billion in 1982 to about $3.919 billion in 1983).

National Institute on Arthritis, Diabetes & Digestive & Kidney Diseases Budget for FY 1983

This Institute has a decrease in funds this year compared to last year. This is the first decrease for an NIH Institute since 1975. In 1975 it was also this Institute which had a cut in funds. In fiscal 1983, the Reagan budget recommends only a 3% increase. This would give us an average increase over the last 2 years of only 1% at a time when the overall NIH budget has increased at a higher rate. To compensate for the fiscal 1982 cut and to achieve the basic goals of stabilizing new research grants at a number equal to the average of the past 5 years, we recommend a fiscal 1983 budget increment of about 14% above FY 1982. This represents an annual rate of increase over the last 2 years of 7%. This increase will raise the budget of the Institute to $420 million. This increase would allow the diabetes program to continue and to fund grants and programs at a rate similar to the average over the past 5 years and in numbers of grants similar to the numbers funded over the last 5 years.

Under the current recommendations of the Reagan 1983 budget, the percentage of approved projects funded by this Institute will be between 20% and 27%. This represents a decrease from the average percentage of approved grants of 42% over the last 5 years. In fiscal 1982 the rate had already fallen to the dangerously low level of 30%. The Reagan FY 1983 budget would result in only 1 of every 4 approved grants being funded and there would not be sufficient funds to support grants scoring even 180 to 190. Scores range from 100 (perfect) to 500 and NIH has always desired to funds projects up to at least 220, an excellent score. With only a 1-in-4 chance of having an approved project funded, a researcher is quite unlikely to remain in the biomedical research field.

If the Institute received a 14% increase and the diabetes program likewise was increased by about 14%, diabetes research funding would be about $84 million in fiscal 1983, or about $9 million over 1982. We recognize that this is less than was advised by the National Diabetes Advisory Board in its 1980 Report. Whereas the American Diabetes Association recognizes that there are high quality programs which will not be funded at the rate it recommends and that the Diabetes Advisory Board figures are realistic ones to support diabetes-related research, we also recognize the budgetary constraints affecting the Federal Government. The 14% increment is a reasonable compromise.

An increase of 14% to $420 million would enable the award rate and the priority scores to approach the levels in the 1978-1981 period (42% and 210-220 scores) and to support clinical trials already designated high priority. The award rate and priority scores reached even with a $420 million budget will only be about 35% and 190 to 200 at best.

Failure to obtain this budgetary increase would have a direct impact upon the number of investigators and the number of grants. Traditionally, the NIH has funded 5000 new and competing grants each year. Under the recommended 1983 budget, this number will drop to 4100. This means that 900 individuals will not receive funding who would have received funding under policies in the past (100 in our Institute). Even one year of such a decrease in funding will have a devastating impact upon individuals and cause significant loss in research commitment on the part of established investigators. The failure to obtain research funding will mean dramatic career changes for individuals and will cause a loss of potential diabetes investigators for a number of years into the future.

RECOMMENDATION: We recommend that the National Institute on Arthritis, Diabetes & Digestive & Kidney Diseases budget for FY 1983 be increased to $420 million in 1983.

Other Institutes and Programs

RECOMMENDATION: We also recommend susbtantial increases over the Reagan budget for fiscal 1983 for the Eye, Heart and Child Health Institutes. Each of these Institutes have fiscal 1983 budget recommendations that increase only 3% over 1982. Increases of at least 8% are merited in order to increase the number of new projects funded and award rates on approved grants to prior year levels. We also believe that the Division of Research Resources budget should increase substantially above the 3.5% increase allowed in the Reagan budget to about 8%, particularly in the general clinical research center budget.

Center for Disease Control Diabetes Control Program

The present funding level for this program is between $5 and $6 million including support for CDC staffing as well as for the 20 state programs. The National Diabetes Advisory Board recommended that for fiscal 1981 the program be funded at $8 million for 20 states. All 20 state programs will be operative in fiscal 1983. $8 million is a critical amount to operate these 20 programs. We feel that the 20 programs are of high quality and should be fully funded.

RECOMMENDATION: The Center for Disease Control Diabetes Control Program should be funded at $8 million for fiscal 1983.

STATEMENT OF JEAN SCHNEIDER

Summary of Recommendations:

The Juvenile Diabetes Foundation (JDF) recommends that the Senate Appropriations Committee appropriate for diabetes research at the National Institutes of Health the levels recommended by the National Diabetes Advisory Board. We further recommend that support for biomedical training be increased at least 15%. JDF recommends as well that $12.0 million be appropriated to allow the Center for Disease Control to fund 25 state diabetes control projects.

I am Jean Schneider, President of the Juvenile Diabetes Foundation. JDF is an international voluntary health organization dedicated to supporting and furthering research and education in diabetes. Today, we appear before you on behalf of our Board of Directors and entire membership and their families in over 140 chapters throughout the United states.

This is my first appearance before a Congressional Committee. You are among distinguished colleagues who have made the appropriations decisions in recent years that have created a new horizon for our children, where we can live each day with a little less fear that our children will become blind, suffer heart disease, or be sustained only by dialysis machines.

Where have we come in just a decade? Our Founder and First President, Mrs. Lee Ducat, came to this Committee eight years ago and stated: "The picture is bleak for the diabetic. He must live dependent on an insulin bottle, syringe, and alcohol swab for life. He faces a grabbag full of dreadful complications and a shortened life expectancy. There has been no change in 50 years since the discovery of insulin. The public, Congress, and the NIH are generally unaware of the real problems of diabetics."

This Committee and the Congress created the National Commission on Diabetes. Congress created the National Diabetes Advisory Board. Congress created the Diabetes Research and Training Centers, the Diabetes Data Group, and the Information Clearinghouse. But most important, Congress -- you gentlemen in this room appropriated the dollars that enabled NIH to implement a comprehensive plan to wipe diabetes off the face of the earth.

What have these dollars bought? Has your investment produced substantial dividends? Can we point to successes in the treatment of this Nation's diabetics? The answer is a resounding YES -- in terms of prevention, treatment, and potential cure. The research that this Committee has supported has resulted in breakthrough after breakthrough, making diabetes the showcase of the Federal biomedical research effort. A Nobel prize winner testified at hearings before the House Energy and Commerce Subcommittee on Health and the Environment last month that, provided ample fiscal support, diabetes is one of the major American health problems which can be cured within this decade. This is a remarkable statement, when one considers that a decade ago, there was no Federal initiative, diabetes had not come "out of the closet," and prevention and cure of diabetes and its complications were mere pipedreams in the minds of we parents of diabetic children.

Let us be more specific. Mr. Chairman, you have emphasized year after year that the key to reducing health costs is in PREVENTION of disease. Our sentiments exactly!

> With Federal dollars, researchers have demonstrated that several common human viruses are capable of producing diabetes in laboratory animals, thereby possibly leading to the development of a preventive diabetes vaccine.
>
> With Federal dollars, scientists have developed tissue-typing to the point that they can locate genetic markers for diabetes which may make it possible to identify some high-risk candidates before they develop diabetes and its complications.
>
> With Federal dollars, researchers have determined that there is a causal relationship between lack of control (fluctuation in blood sugar levels) and onset of diabetes' complications; a vital clinical trial, which will move forward only with adequate fiscal support, should demonstrate whether adequate control will allow us to prevent, or mitigate the devastating and debilitating complications once a person has the disease.
>
> With Federal dollars, scientists have demonstrated that meticulous control of blood sugar reduces obstetrical complications in diabetic mothers and perinatal morbidity and mortality in their infants.
>
> In the area of TREATMENT, Federal dollars have enabled researchers to develop a miniature battery-powered pump, worn externally, which feeds a continuous supply of insulin to the diabetic; with this device, insulin injections are not necessary and diabetics can maintain almost normal blood sugar levels.
>
> With Federal dollars, researchers have produced human insulin through recombinant DNA which will ultimately provide an unlimited supply to cheaper, purer, and more compatible insulin; we may see this substance on the market within a year. With Federal dollars, researchers and practitioners have developed laser therapy and vitrectomy so that greater progress has been made in countering the loss of vision incident to diabetes.
>
> With Federal dollars, scientists have developed new tests and techniques to monitor blood sugar control more accurately than ever, and in the home, where health cost can be confined.

What about a CURE? Our search for a cure -- the desire to tell our children that the insulin syringe and swab are but a thing of the past -- is what binds us together. And we are closer to this goal than we were just two years ago.

> With Federal dollars, scientists have successfully transplanted insulin producing cells from one animal species to

another without immune rejection, thereby producing a return to normalcy in previously diabetic animals. With Federal dollars, researchers have developed new techniques and drugs which suppress the rejection process in transplantation; this development, like so many other diabetes breakthroughs, will benefit a plethora of non-diabetes-related health problems.

That is the good news. But now follows the bad news. Diabetes remains the third leading cause of death in the United States. It afflicts ten million Americans, claiming 300,000 lives annually -- almost 1,000 lives every day -- and this number is increasing. It is the leading cause of new blindness. Diabetes causes almost 50% of amputations of the foot and leg among adults. Diabetes is responsible for about 20% of all cases of kidney failure. Infants born to mothers with diabetes experience a disproportionately high rate of mortality, congenital malformations, respiratory distress, prematurity, and other serious medical problems. Diabetes is one of the four major risk factors for cardiovascular disease.

And we are terrified! We read newspapers and have reviewed the Administration's budget request. We, like you, are taxpayers whose incomes are being drained by inflation. We wholeheartedly agree that waste, fraud, and excessive bureaucracy must be eliminated from Federal programs. However, we believe that we will save money many times the research dollar in treatment costs of diabetes within the next half-decade.

I am not an economist, but I think I understand two basic premises underlying the cutting of particular Federal programs. First, cuts should be made in programs which are not cost-effective, which do not generate successes and savings. Let us examine what cost-effective investment in diabetes research might yield.

-- Broader use of today's treatment advances could reduce new cases of diabetes-related blindness by 20%; this would save Federal and state agencies tens of millions of dollars in disability payments and benefits.

-- A 10% reduction in amputations -- a modest and realistic goal toady -- would save $22 million a year in direct hospital costs, much of which is not borne by Federal agencies.

-- Since 20-25% of all kidney dialysis patients have diabetes, reductions in this area could reduce Federal ESRD expenditures by $400 million annually -- three times the total Federal fiscal commitment to diabetes research.

Second, cuts should be made where the responsibility for attaining a program's objectives can be better assumed by the private sector. Our 140 chapters aggressively pursue every fund-raising endeavor -- from door-to-door solicitation to celebrity tennis tournaments to bike-a-thons. 80% of every dollar we raise goes directly to diabetes research and education, higher than any other voluntary health organization. Yet, we can in no way, shape, or form, begin to absorb the Federal research burden. Total voluntary health agency support for research is less than 1/25th of NIH's research budget.

Mr. Chairman and members of this Committee, we appreciate the dilemma you are facing as guardians of the public treasury and the public trust. You will face in November an electorate eager to cut Federal spending. But if you ask your constituents whether they wish to cut health funding now and pay later manyfold in health costs and physical suffering, we both know what the answer would be. The wheels of the biomedical research mechanism cannot be stopped one year and cranked up again the next.

To provide for only nominal increases in FY 1983 -- funding levels which will result in cutback in research grants, training awards, and contract initiatives -- is to send a resounding message to these biomedical researchers that the Federal Government's commitment to biomedical research is waning and that non-research medical careers should not be pursued. This is a reservoir of talent which, once drained, cannot be refilled.

Our detailed appropriations recommendations are appended to this testimony and are consistent with those included in the Third Annual Report of the National Diabetes Advisory Board. Our recommendations represent minimal appropriations that we believe will enable the National Institutes of Health and other Federal agencies to maintain the momentum that is carrying us towards a cure and prevention of diabetes. They are based on the premise that the cost of research is minimal compared to the cost of disease. The following are several of our key priorities.

National Institute of Arthritis, Diabetes, Digestive and Kidney Diseases.

NIADDK is the cornerstone of the Federal diabetes research and training effort. We are appalled at the funding scenario at NIADDK. The 1982 continuing resolution provided for an actual cutback in dollar support below 1981 levels; every other institute (except NCI) received at least nominal increases in funding. The Administration's proposed FY 1983 budget provides a meager 3% increase over 1982 levels. How will this "increase" affect the Institute's programs? The Institute would be able to fund only 608 research grants, 151 less than in 1981. NIADDK would be able to support only 27% of its approved research grant applications, compared to an award rate of 41% less than two years ago.

The tide must be turned. Congress must rededicate itself to a strong, revitalized commitment to diabetes research. JDF recommends that $124 million be appropriated to NIADDK for diabetes research and training in FY 1983. This allocation would enable the Institute:

1. To continue to implement the vital research recommendations of a National Diabetes Advisory Board regarding: the regulation of carbohydrate and lipid metabolism; hormone bio-

synthesis, secretion, and action; the relationship of obesity and various nutritional factors to diabetes; further development of automated systems for the delivery of insulin, such as portable and implantable insulin pumps developed by NIADDK grantees; and key to a cure, the transplantation of islet cells.

2. To expand NIADDK's research manpower development programs including Research Career Development Awards, Special Emphasis (Diabetes) Research Career Awards, and new Investigator Research Awards in diabetes.

3. To maintain support for the National Diabetes Data Group, the National Diabetes Information Clearinghouse, and the Diabetes-Endocrinology Research Centers.

4. To maintain support for Diabetes Research and Training Centers. Scientists associated with DRTCs have conducted research that has led to some of the diabetes breakthroughs noted above, and they have participated in collaborative programs with the Indian Health Service for the training of health personnel in its new model diabetes care program. The centers are regionally located so that professionals in various areas throughout a region can be trained at these centers and go back to their practice better equipped to deal with their patient populations. The seven centers currently in existence serve as resources to assist State Health Departments in the development and implementation of CDC-supported diabetes control programs.

5. To move full force into its collaborative clinical trial on the relationship between long-term, strict control of blood glucose levels in diabetics and the development of the severe complications of diabetes. Through this long-term study, NIADDK will be able to provide answers to the longstanding question of whether strict control can prevent, postpone, or lessen the disabling complications that may eventually afflict our children.

National Heart, Lung, and Blood Institute

The work of the NHLBI is so important to me because I live with the fear that my child will be stricken down by heart disease related to his diabetes in the prime of life -- just as it struck down your friend and ours, Congressman Bill Steiger. Diabetes is one of the four major risk factors of cardiovascular disease in the United States. The diabetic is twice as prone to coronary heart disease as a non-diabetic, twice as susceptible to stroke, and five times as likely to develop arterial diseases of the limbs.

We believe that $25.4 million should be appropriated to the NHLBI for its diabetes research initiatives.

National Eye Institute

As discussed above, diabetes is a leading cause of new blindness in the United States; its costs in terms of health dollars, lost productivity, and human pain and suffering are momentous. The National Diabetes Advisory Board has identified several priority areas for ocular research, which can begin to be implemented if Congress appropriates $27.9 million for the diabetes related activities of the National Eye Institute.

Research Manpower Training

Our greatest concern is the need to increase biomedical research training support. As a woman whose child has diabetes, I live with the profound fear that today's research advances will not be translated into a cure for lack of qualified investigators to conduct the necessary research. JDF is dedicated to the belief that we must foster a climate in which today's scientists, physicians, and indeed, medical students, will seek out a career in health research. To this end, JDF itself has supported over 100 fellowships during the past five years.

The problem is aggravated by many factors. Federal funds for support for NIH research have not grown sufficiently in recent years. And now, we are distressed to learn that the Administration has proposed a reduction of almost 900 trainees!! Since 1966, there has been almost a 50% decrease in the total physician-scientist pool in this country and the influx of the young talent into clinical investigation has been severely curtailed. As we noted above, the Federal government is transmitting a loud and clear message which could discourage forever young scientists' interests in pursuing a research career.

Accordingly, we heartily endorse the recommendations of the National Diabetes Advisory Board regarding the increase in the number of and the quality of physicians and scientists entering the field of diabetes research. Our recommendations for NIH research, as included in the attached table, include funding for biomedical research training.

Center for Disease Control

Under the capable and innovative leadership of Dr. William Foege, Director, and Dr. William Flynt, the Center for Disease Control has spearheaded a number of very significant accomplishments designed to implement the Long Range Plan to Combat Diabetes.

The Center has already evaluated and improved local patient education resources, sponsored workshops for dieticians and other members of the diabetes health care team; designed systems to identify and assimilate data on high-risk diabetic population groups; and provided surveillance of diabetes registries.

We believe that the CDC's efforts are essential to the improvement of patient care, to reduction of diabetic hospitalization costs, and to adequate screening and diagnosis of diabetes in the population-at-large. We are now witnessing the establishment of a successful Federal program which is causing a dynamic ripple effect into the states, private agencies, and industry. The payoff for all chronic diseases promises to be great. Accordingly, JDF recommends that the Congress provide $12 million in FY 1982 to expand CDC's diabetes control demonstration projects to 25 states.

CONCLUSION

History has been made in this room. Several of you helped create the National Commission on Diabetes, whose Long Range Plan became the foundation of the Federal diabetes effort. This research which you have funded has built upon this foundation.

But will the resources be made available so that our children can be cured? We have come a long way -- over a dozen research breakthroughs in just a few years. We want nothing more than to put JDF out of business, and the Federal diabetes research initiative as well. But the bottom line is: Have our children been cured?

Within the next decade, we pray that we at JDF will be able to write the book on how diabetes was cured and the book will be dedicated to you, the Members of this Committee, who had the vision and patience to ignore what might have been politically expedient and to do what you knew in your hearts was right.

Thank you for your attention.

DIABETES APPROPRIATIONS RECOMMENDATIONS
(In millions of dollars)

Agency	Proposed FY 1983 JDF Recommendation
National Institutes of Health	
National Institute of Arthritis, Diabetes, Digestive and Kidney Diseases	$124.0
National Eye Institute	27.9
National Heart, Lung, and Blood Institute	25.4
Division of Research Resources	19.7
National Institute of Child Health and Human Development	13.9
National Institute of Neurological and Communicative Disorders and Stroke	8.0
National Institute of Allergy and Infectious Diseases	5.5
National Institute of General Medical Sciences	2.0
National Institute of Dental Research	3.0
National Institute of Aging	4.2
Total NIH	$234.1*
Center for Disease Control	12.0
National Institute of Mental Health	1.5
Indian Health Service	2.6
	250.2

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* This total amount was recommended by the National Diabetes Advisory Board and we wholeheartedly support it.

STATEMENT OF ROBERT R. HUMPHREYS

Mr. Chairman and Members of the Committee, I am Robert Humphreys, Washington Counsel for the Arthritis Foundation. I appreciate the opportunity to testify on behalf of the Foundation and its professional sections, the American Rheumatism Association and the Arthritis Health Professions Association, and the American Juvenile Arthritis Organization which is a membership component of the Foundation, with respect to fiscal year 1983 funding for the National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases, particularly as it relates to the arthritis research program of that institute.

As you may know, the Arthritis Foundation, the American Rheumatism Association, the Arthritis Health Professional Association, and the American Juvenile Arthritis Organization have joined in coalition with the major professional and voluntary health organizations which are constituent of the NIADDK to endorse a statement of support for that Institute. Our 36 organizations support an appropriation for FY 1983 of at least $420 million. This is the minimum level necessary for the nation to take advantage of past research advances. With your permission, Mr. Chairman, I submit for the record a copy of the NIADDK Coalition statement.

I understand also that the National Arthritis Advisory Board, which unfortunately through no fault of its own, is unable to testify today, will submit a written statement for the record. I believe the Board's recommendations for arthritis program funding are very similar to those we are making.

The Administration proposes a funding increase of three percent for the National Institutes of Health. As has been the discomforting trend in recent years, however, that increase, as modest as it is, will not filter down to the arthritis research program. The disturbing fact is that research awards would be reduced in FY 1983, and the FY 1982 Continuing Resolution level is less than the amount available in FY 1981.

Mr. Chairman, this constraint on biomedical research support cannot continue if we hope to sustain our nation's preeminence in the field. The need is particularly acute in arthritis research.

Rheumatic diseases affect more than 31 million Americans, and the numbers are increasing by a million each year. As our nation's population increases, particularly the aging population, the prevalence of arthritis will also increase. It is estimated that 25 to 30 percent of our population will at some point in their lives develop arthritis.

Arthritis is America's greatest crippler. More than 7 million arthritis sufferers are mobility impaired. At least 250,000 children have arthritis, a number greater than the victims of polio during the most virulent period of that disease. The nation's scientific resources were marshalled to eradicate polio; the same sense of urgency is not apparent with respect to juvenile arthritis.

There are at least 100 different, distinguishable forms of arthritis and related diseases. Some kill, and some disable; they strike young, old, white and black. Yet, with the overwhelming magnitude of the problems associated with this constellation of diseases, we spend less than $2.00 per patient each year on arthritis research.

In economic terms, arthritis and related diseases are second only to cardiopulmonary disease in their impact. It is now estimated that rheumatic disease costs the nation $25 to $30 billion every year. One state study concluded that half its workers' compensation claims were arthritis related. A billion dollars is spent each year by frustrated arthritis sufferers on quackery and unproven remedies.

The Arthritis Foundation is convinced, Mr. Chairman, that a small fraction of the amount spent on medical care, quack cures, or disability payments, would lead to improved treatment and therapies, and even methods of prevention and cure.

Research advances over the past few years, despite the limitations on funding, have brought hope to scientific investigators that we are on the verge of important new discoveries. Promising leads are being followed in immunology and genetics, and in new forms of therapy.

In rheumatoid arthritis, a genetic marker, HLA-DRW4, has been identified in a high proportion of patients with this form of rheumatic disease. Other markers have been found for lupus and ankylosing spondilitis. Research suggests a genetic predisposition to these diseases. Recent investigation indicates the possibility that infectious agents may play some role in the onset of rheumatoid arthritis. The interface between genetic predisposition and environmental factors is one of the key avenues of research at this moment.

A multitude of efforts are underway in therapies that may be characterized as revolutionary. Some of these include the alteration of oxygen metabolism in joints; the development of enzyme inhibitors to block destruction of joint surfaces; apheresis, or separation and removal of blood elements; and low dose X-ray therapy. In recent years, we have learned through the evolution of drug therapies to control the crystallization of uric acid which results in painful gout attacks.

We are deeply concerned, however, that the constant erosion of support for research will lead to movement away from arthritis research by promising young investigators who are discouraged by the lack of opportunity in this field of study. If scientists go elsewhere, it is likely that some of the most innovative and exciting research will not be undertaken. The result will not be simply the elimination of scientists from arthritis research, but more important, diminished opportunity for reducing the pain and suffering of untold millions of arthritis patients. It could also mean, in the long run, that our nation will have forfeited its position of leadership in the effort to prevent, and even eradicate, some of man's most baffling diseases.

The funding levels we recommend would foster a broader based, more intensive research effort, in line with the strong recommendations of the 1976 National Arthritis Plan, and would begin to provide the kind of research emphasis that a massive national health problem demands.

The Arthritis Foundation supports an appropriation for the NIADDK OF $450 million in fiscal year 1983. In part, this level would represent a restoration of funding lost in 1982. Had NIADDK received increases comparable to other NIH research institutes in FY 1982, say ten percent, the appropriation would have been $406 million. An additional 10 percent for FY 1983 would bring the funding level to $446 million. Such levels would bring NIADDK research to parity with the 1981 amount, and would permit research momentum within the institute to resume.

Of amounts appropriated for NIADDK, the arthritis, musculoskeletal, and skin cluster should receive $77 million for investigator initiated research awards, and an additional $12 million should be made available for multipurpose arthritis centers.

The nation's 20 arthritis centers, although relatively new, have begun to have an important impact on the improvement of health care delivery to arthritis sufferers in communities across the country. An early HEW study predicted that arthritis centers would eventually return $40 for each Federal dollar invested because of their role in diminishing disability resulting from rheumatic diseases.

Mr. Chairman, the FY 1983 budget request, as well as the FY 1982 Continuing Resolution, are inadequate to sustain even current levels of research, let alone permit the expansion that would stimulate new and promising research. Research training, which brings new academicians and scientists to the field of rheumatology, also requries additional support.

The Arthritis Foundation urges you, on behalf of the millions of Americans who suffer from the ravages of arthritis, and the millions of others who might in the future be spared this suffering, to accept our recommendations for FY 1983 appropriations for NIADDK and the arthritis program.

STATEMENT OF ROBERTA DEVITO

Briefly, osteogenesis imperfecta, osteoporosis and related diseases of bone loss are the chief concerns of the American Brittle Bone Society. I am charged by my members and supporters to set forth the case for fair and equitable distribution of health research dollars at the federal level that will provide a stimulating financial environment for growth in these areas.

To this end, and with your help, the NIH has taken your previous years' language in the budget reports and has initiated a program whereby funds expended for both osteogenesis imperfecta and osteoporosis have increased dramatically. Recognition of osteoporosis as a major national health problem has begun.

Included for your reference is the schedule of funding followed for FY 1981, the most recent year that total figures were available. These figures repreesent expenditures for research across the NIH and include approximately 50% indirect costs related to the administration of research dollars.

Naturally, dollars spent for research on osteogenesis imperfecta and osteoporosis do not approach the dollars spent on comparably severe diseases such as diabetes. Even so, there has been growth and for this the American Brittle Bone Society is thankful. You've seen to it that more funds have been invested in the health of this population of people and we expect that you will carry this effort forward in a manner that will justify your awakened interest in these areas of national concern.

Thank you.

THE PROBLEM OF OSTEOPOROSIS

Osteoporosis is a truly enormous problem. The disease causes over 1 million fractures in the United States each year (1). Vertebral fractures due to osteoporosis occur in one-quarter of all Caucasian women over age 65 years and in half of those who survive into extreme old age (1,2,3,4). Hip fracture due to osteoporosis occurs in 32% of women who survive into their 80s (5). This catastrophic fracture kills 15%, causes half of survivors to be committed to nursing homes, and costs over $1 billion annually for only acute health care costs (4,5,6).

1. Melton, L.J., III and Riggs, B.L.: Epidemiology of age-related fractures. In: Senile and Postmenopausal Osteoporosis. Louis V. Avioli, Ed., In press.
2. Smith, R.W., Jr. and Rizek, J.: Epidemiologic studies of osteoporosis in women of Puerto Rico and Southeastern Michigan with special reference to age, race, national origin and to other related or associated findings. Clin. Orthop. 45:31-48, 1966.
3. Jensen, G.F., Christiansen, C., Boesen, J., Hegedüs, V., Transbøl, I: Epidemiology of postmenopausal spinal and long bone fractures: a unifying approach to postmenopausal osteoporosis. Clin. Orthop. In press.
4. B. L. Riggs and L. J. Melton: Unpublished data.
5. Gallagher, J.C., Melton, L.J., Riggs, B.L., and Bergstrath, E.: Epidemiology of fractures of the proximal femur in Rochester, Minnesota. Clin. Orthop. 150:163-171, 1980.
6. Owen, R.A., Melton, L.J., III, Gallagher, J.C., and Riggs, B.L.: The national cost of acute care of hip fractures associated with osteoporosis. Clin. Orthop. 150:172-176, 1980.

THE PROBLEM OF OSTEOGENESIS IMPERFECTA

For nearly 200 years it has been debated whether Osteogenesis Imperfecta consisted of one or several distinct genetic diseases. Recent studies have produced evidence that OI must consist of at least four distinct disorders.

In the past seven to ten years , there has been considerable expansion in our knowledge of the genetic and potential pathogenic mechanisms leading to diseased connective tissue in OI. At the same time there has been an explosion in knowledge of the biochemistry of normal connective tissues and in the clinical and biochemical characterization of heritable disorders of connective tissue in general. This reflects in part the development and application of new techniques in connective tissue biochemistry, immunochemistry and molecular biology. Five types of human collagens are now recognized in normal connective tissues (1,2,3,4) and a further number of variants have been identified which await final characterization (1).

This expanding panorama of genetic diversity in OI and diversity in normal connective tissue macromolecules provides a new perspective on the morphologic and biochemical findings in OI to date and on future studies of this disorder.

The problem of Osteogenesis Imperfecta is that it an invasive, systemic disease that affects approximately 30,000 Americans in varying degrees, some rather profoundly. Hearing, height, heart, and lungs are clearly affected but classification of type is often impossible because no group of features commonly used to identify types has been entirely reliable.

The problem of Ostoegenesis Imperfecta is that there is no pre-natal testing or carrier identification procedure available. Further, there is no method of improving the health potential of the patient.

1. Burgeson, R. E., and Hollister, D. W.: Collagen heterogeneity in human cartilage Identification of several new collagen chains. Biochem. Biophys. Res. Commun. 87:1124, 1979.
2. Epstein, E. H., Jr.: Human skin collagen. J. Biol. Chem. 249:3225, 1974.
3. Kefalides, N. A.: solation of a collagen from basement membranes containing three identical alpha chains. Biochem. Biophys. Res. Commun. 45:226, 1971.
4. Millar, E. J.: A review of biochemical studies on the genetically distinct collagens of the skeletal system. Clin. Orthop. 92:260. 1973.

National Institute of Arthritis, Diabetes, Digestive, and Kidney Diseases Panel B

STATEMENT OF PAUL SHERLOCK, M.D., CHAIRMAN, NATIONAL DIGESTIVE DISEASES ADVISORY BOARD

Mr. Humphreys. The next group is a panel of witnesses of representatives from the digestive diseases and nutrition and kidney and hematology clusters.

I would like to note at the outset that the representative from the American Academy of Orthopedic Surgeons was not able to be here today because of illness and a number of other representatives who were scheduled on the panel are unable to be here.

Senator EAGLETON. Any witnesses who could not be here can give us their statements at the appropriate time for inclusion in the record.

Mr. HUMPHREYS. Dr. Paul Sherlock, chairman of the National Digestive Diseases Advisory Board, will be our first witness in this group.

Dr. SHERLOCK. Mr. Chairman, as was mentioned, I am Paul Sherlock, chairman of the newly formed National Digestive Diseases Advisory Board, which I am representing at this hearing. I'm also chairman of the Department of Medicine at the Memorial Sloan-Kettering Cancer Center and professor of medicine at Cornell University Medical College, and a digestive diseases specialist for gastroenterologists. All of the Digestive Diseases Advisory Board members and members of the digestive diseases field in general are most grateful to you and your colleagues for your continued support of biomedical research.

However, we hope that you share with the advisory board our concern about the adverse impact of the proposed budget in 1983 on the progress in digestive disease research and the implementation of the national plan to combat digestive diseases as outlined in the report of the National Commission on Digestive Diseases in 1979.

It is our opinion that the proposed 1983 budget will have a major damaging effect. In 1974–75 Congress gave impetus to research in digestive diseases in response to a national conference which demonstrated the importance of digestive diseases as a national health problem. As a result of that support, there was an increase in the number of grants funded in digestive diseases as this chart demonstrates. Since then, there has been a yearly increase in the number of applications and approved applications for new research grants reflecting a true growth of activity in the field.

Unfortunately, there has been no real growth in budgetary allocations for digestive diseases since 1975. As a result of this and the fact that new investigators are entering the field, as this chart demonstrates, the percentage of grants funded has dropped from 40 percent in fiscal 1980 to 25 percent in fiscal 1981 and it's estimated that only 16 percent of approved grants will be funded in fiscal 1983.

This latter percentage will be lower than other comparable groups in the National Institutes of Arthritis, Diabetes, Digestive, and Kidney Diseases, and will allow for only one in six approved grants to be funded.

After Congress previous successful efforts to stimulate digestive diseases research, those who entered this field as well as those contemplating entering the field will face discouragement and the number of new research applications will certainly begin to decline.

This progressive dismantling of the manpower for research in digestive diseases will quickly result in the loss of opportunity to lessen real suffering and the marked economic burden of digestive diseases.

Although the National Digestive Diseases Advisory Board has only met on three occasions, they quickly realized that the national plan to combat digestive diseases outlined in the Digestive Diseases Commission's report to Congress needed immediate attention and budgetary action. The advisory board supports the appropriation at the very least of $420 million to the National Institutes of Arthritis, Diabetes, Digestive Diseases, and Kidney Diseases for fiscal year 1983 and asks that additional funds be provided specifically to digestive diseases to prevent a rate of funding below other divisions in the institute. The board has also concluded that certain research problems and opportunities may best be addressed by a variety of experts in basic and clinical sciences working together in the context of a center program which has been demonstrated by the successful experience by arthritis and diabetes with their center programs.

Therefore, the board recommends that additional funds be allocated for the development and establishment of a digestive diseases center program comparable to those successfully created in arthritis and diabetes. Specifically, the board recommends $7 million for fiscal year 1983.

Mr. Chairman, thank you for the privilege of appearing before you and I will be happy to respond to questions or comments.

Senator EAGLETON. Thank you, doctor.

Mr. HUMPHREYS. The next witness, Mr. Chairman, is Harley Dirks, speaking for the Coalition for Digestive Diseases Organizations.

STATEMENT OF HARLEY DIRKS, WASHINGTON REPRESENTATIVE, COALITION OF DIGESTIVE DISEASES ORGANIZATIONS

Mr. DIRKS. Mr. Chairman, I'm Harley Dirks, Washington representative for the Coalition of Digestive Diseases Organizations which represent 17 lay and voluntary organizations with primary interest in digestive disease, health care, research, and education.

The coalition urges support for funding of the National Institute of Arthritis, Diabetes, Digestive, and Kidney Diseases at a level of at least $420 million to more adequately provide for research support and research opportunities on digestive diseases and other diseases covered by this institute.

The coalition urges support for appropriate levels of funding within the NIADDKD institute to insure the operation of the National Digestive Disease Advisory Board and the National Digestive Disease Clearinghouse and an increase in the percent of approved research applications that could be funded.

The coalition urges restoration of budget cuts for training. Mr. Chairman, the very thing you spoke of earlier, unless young investigators are trained to pursue research findings, we will face scientific stagnation. The biomedical research community is a national asset and a world leader, but only if we insure continued funding for training physicians, scientists, and other health professionals.

The coalition also urges funding for the centers and data system as quickly as pending authorization is enacted.

Thank you, Mr. Chairman.

Senator EAGLETON. Thank you, Mr. Dirks.

Mr. HUMPHREYS. Next is Dr. B. F. Overholt for the American Society of Gastrointestinal Endoscopy.

STATEMENT OF BERGEIN F. OVERHOLT, M.D., REPRESENTING THE AMERICAN SOCIETY FOR GASTROINTESTINAL ENDOSCOPY

Dr. Overholt. Mr. Chairman, I'm Bergein Overholt, a physician in private practice, specializing in gastroenterology. I represent today the American Society for Gastrointestinal Endoscopy, a physicians' society of physician and surgeon members who have undergone specialized training in the use of flexible endoscopes for the care of their patients.

We are clinicians. We see and treat matters like hiatal hernia, ulcers, gallstones, diverticulosis, polyps of the colon, and cancer of the digestive tract. As clinicians, we have the rare opportunity of seeing the end product and fruits of research as they can be applied to our patients. And that's why we're here to support basic research and clinical research. Gastrointestinal endoscopes which are flexible are a fine example of the application of basic research as they come down and spin off to our patients. Dramatically, endoscopes have improved the diagnosis and management of gastrointestinal disease over the last 20 years, probably more so than any other item.

The future of endoscopic application to research is absolutely explosive, limited only by the imagination of the investigator and the resources that investigator has.

You, Mr. Chairman, and your committee have supported research in the past and currently are and we encourage you to continue that support for: One, if authorized, funding of the Digestive Disease Center and the Data Epidemiologic Center; two, funding NIADDKD at the level of at least $450 million; and three, funding NIH to provide stability elsewhere in research programs for young investigators.

I wanted to be able to spend a few minutes if I could with you talking about upper gastrointestinal hemorrhage, a serious problem which took the life of a very prominent Congressman just recently, but time does not allow that. I will say that through research we're developing techniques with endoscopes to diagnose and treat upper gastrointestinal hemorrhage a serious life-threatening disease rapidly and effectively. Thank you, Mr. Chairman.

Senator Eagleton. Thank you, doctor.

Mr. Humphreys. Dr. John Sessions for the American Liver Foundation.

STATEMENT OF JOHN T. SESSIONS, M.D., ON BEHALF OF THE AMERICAN GASTROENTEROLOGICAL ASSOCIATION AND THE AMERICAN LIVER FOUNDATION

Dr. Sessions. I'm Dr. John Sessions from the University of North Carolina. I'm representing the American Gastroenterological Association and the American Liver Foundation, which numbers in its membership approaching 6,000 physicians who are concerned about digestive diseases and nutrition.

I've appeared before this committee in the past and want to thank you for the strong and continued support that you and your colleagues have given funding for the National Institutes of Health.

I wanted to try to extract from my testimony that's been presented a few points of interest since I know you've been interested in not only support but in opportunity.

We found in the past few years that there are hormones endocrines normally thought of being confined to the pancreas and so forth, but we found these in the bowel and, more excitingly, in the brain. These hormones may well explain the digestive symptoms that develop in people that are under mental or psychological stress. This may be the connecting link that will help us understand and treat more effectively people with digestive complaints related to nerve-gut interaction.

Another area of development that's exciting and challenging is the ability to measure the protein in the hepatitis virus. It's been found that these nuclear proteins get into the liver cell, if the nuclear proteins stay there and get into the nucleus and then into the chromosomes, this is associated with cancer of the liver. It would be obvious that possibly the use of a hepatitis vaccine might therefore be of aid in controlling this common cancer in many parts of the world. Research is needed in this area.

Peptic ulcer through the years has been treated by neutralizing acid. You're aware that there are now drugs, cimetidine, which decreases secretion. The latest development is a drug which provides sort of a patch over an ulcer so it's protected from acid. We want to explore this area in order to see if this, in combination perhaps with other treatment, will make peptic ulcer even less of a problem.

Next I'd like to mention our request. If authorizing legislation is made law this year, it provides for digestive disease centers and for an epidemiologic data program. We would hope that funds to support these programs could be made available and that language spelling out that support could be made part of the bill report from the Appropriations Committee.

You've heard the figures of $450 million and $420 million. Perhaps I could comment that this variation from the smaller to larger figure develops from the accumulation of additional data that indicates the importance of the higher figure, $420 million being at least the minimum. Can you imagine only one out of six high quality approved research grants will be funded during the next year unless something is done about this?

If there is an increase in funding to NIADDKD, we would hope that the digestive diseases might share equally with other constituents of the institute in this increase. We are concerned about providing stability for the number of research grants that can be funded.

I thank you for this opportunity to appear before you.

Senator EAGLETON. Thank you, doctor.

Mr. HUMPHREYS. Finally, Mr. Chairman, for the Children's Liver Foundation, Mr. Timothy Gibbs.

STATEMENT OF TIMOTHY GIBBS, ON BEHALF OF THE CHILDREN'S LIVER FOUNDATION

Mr. GIBBS. I have two pamphlets of information.

Senator EAGLETON. OK, Timothy. Thank you.

[CLERK'S NOTE.—Materials which describe the purpose and goals of the Children's Liver Foundation are available through the subcommittee files.]

Mr. GIBBS. Mr. Chairman, members of the subcommittee, distinguished guests, my name is Timothy Gibbs. I am the national honorary chairman of the Children's Liver Foundation.

[CLERK'S NOTE.—The submitted statement of the Children's Liver Foundation begins on page 940.]

Senator EAGLETON. Well, thank you, Timothy. You're a very excellent witness. I don't denigrate the three doctors that are here, but I think they would attest that you delivered your testimony extraordinarily well, even better than most professional doctors, and they did well indeed.

How old are you?

Mr. GIBBS. I'm 15.

Senator EAGLETON. Have you had a liver transplant?

Mr. GIBBS. No, I have not. I'm just the honorary national chairman and I'm on the TV series.

Senator EAGLETON. Do you have a form of liver disease?

Mr. GIBBS. No, none whatsoever. I'm on the television series and the people that run the Liver Foundation chose me to be the honorary national chairman.

Senator EAGLETON. OK. Any member of your family ever suffered from liver disease?

Mr. GIBBS. No, sir, they haven't. We've been very lucky.

QUESTIONS

Senator EAGLETON. I might ask the doctors, what is the medical dispute—I take it there must be a dispute of some sort within the profession—with respect to liver transplants, or am I misreading the situation? Is there some dispute within the medical community as to whether a liver transplant is an efficacious or legitimate or proper remedy or not? Can anybody shed any light on that?

Dr. SESSIONS. In last year's testimony we mentioned the advance that Timothy has just given to you of the development or the application of a new agent to inhibit the rejection of the liver in the transplantation. It can be argued as to whether this has reached the stated standard of clinical usage, but much the same would still be the case with heart transplants. It's in a gray area which is certainly moving toward clinical applicability, but cost does continue to be a problem in the kidney transplant and heart transplant. I would place liver transplant in the same category. I would view it as no longer experimental.

Senator EAGLETON. The success rate of kidney transplants is rather high, is it not?

Dr. SESSIONS. Yes; but it has not always been that way.

Senator Eagleton. No; but the trend line seems to be improving in that and there's still the gray area on heart transplants, the rejection factor, and the rejection factor is the key also in the liver transplant?

Dr. Sherlock. Well, the rejection difficulty is a major problem with all these transplants and it applies to the liver transplants as well as the kidney transplants. Prior to the advent of the cyclosporin it was really an incredibly difficult problem and if you kept the patient on immunosuppressant drugs for a long time they would develop very, very bizarre infections and frequently die of the infections in an attempt to restore any rejection, but infection usually took over because of these drugs and a lot of these patients did die from the infectious complications of the immunosuppressant drug therapy. With cyclosporin, it seems to be a much better drug to suppress the rejection phenomenon without these other complications that occur.

Senator Eagleton. Did you want to add something?

Ms. Turon. I'm Maxine Turon, chairman of the Children's Liver Foundation. My oldest daughter did die 7 years ago from liver disease at the age of 3. At that time she would have been a candidate for a liver transplant. Unfortunately, or fortunately, she died before she had the opportunity. The state of the art at that time was not efficacious, was not optimal. According to Dr. Starsel, who also was the pioneer in kidney transplants, the survival rate of kidney transplantation is 89 or 90 percent, and that's what he's experiencing with the liver transplantation program at the University of Pittsburgh.

Senator Eagleton. May I ask one of the three doctors—they're not spokesmen for HHS—but if they know by inference, why is it that HHS labels it as experimental, I take it that's the word? Does anybody know anything about it? Is it because of the aforementioned reasons?

Dr. Sherlock. Yes; because large numbers of liver transplants just have not been done. There haven't been surgeons, as was pointed out—there are really very few surgeons that do this and do this well and have amassed a great deal of experience, and until the numbers have accumulated, I think it probably will be considered experimental from their standpoint.

Senator Eagleton. OK. Does that conclude the panel?

Mr. Humphreys. Yes, Senator.

Senator Eagleton. I want to thank all the members of this panel. I think we have had an excellent day. I think we have had really a superb array of witnesses up to and including this panel as well, and we are very grateful. Your prepared statements will be inserted in the record at this point.

[The statements follow:]

STATEMENT OF DR. PAUL SHERLOCK

Mr. Chairman, I am Paul Sherlock, Chairman of the newly formed National Digestive Diseases Advisory Board. I am also Chairman of the Department of Medicine at Memorial Sloan-Kettering Cancer Center and Professor of Medicine at Cornell University Medical College. I speak to you today representing the National Digestive Diseases Advisory Board. Mr. Chairman, I request that immediately after my statement appears in the record that a statement on behalf of Dr. John Sessions be inserted. He is Chairman of the Liaison Committee of the American Gastroenterological Association, an Association in which I am also a long-term member. Please understand that the views expressed in that statement fully support that given in my statement. All of the Board members and members of the Digestive Diseases field are most grateful to you and your colleagues for your continued support of biomedical research. However, we hope that you share with the Board our concern about the adverse impact of the proposed budget in 1983 on the progress on digestive disease research and the implementation of the National Plan to Combat Digestive Diseases. It is our opinion that the proposed budget will have a major damaging effect.

In 1974 and 1975 Congress increased financial support to research in digestive diseases in response to a national conference which demonstrated the importance of digestive diseases as a national health problem. As a result of that support, there was an increase in the number of grants funded in digestive diseases. Since then there has been a yearly increase in the number of applications for new research grants reflecting a true growth of activity in the field.

At the same time Congress recognized the growing importance of digestive diseases as a health problem by adding the name digestive diseases to the Arthritis - Metabolism Institute, by appointing an Associate Director for Digestive Diseases, and in 1976 establishing the National Commission on Digestive Diseases. This Commission prepared and submitted a National Plan to Congress in 1979 for this important group of diseases.

In its 1979 report to Congress, the National Commission on Digestive Diseases stated that;

"Digestive Diseases constitute the third largest component of the total economic burden of illness in the United States, being outranked only by circulatory diseases and by the combined category of accidents, poisonings and violence."

The commission made an intensive study and provided an extensive report on opportunities for research in digestive diseases. And you have just heard about some of these opportunties in the previous testimony.

The major recommendations of this Commission were to (1) increase budgetary appropriations for digestive diseases research including multidisciplinary Digestive Disease Centers, (2) establish data collecting groups and an educational clearinghouse, to increase public awareness and to provide information to patients and families regarding digestive diseases.

Unfortunately, despite these recommendations and the recognition of digestive diseases as a major health problem, there has been no real growth in budgetary allocations for digestive since diseases research since 1975. Although some increase in dollar amount has occured over this time as shown in column 2, of the table, there has been no real increase in budgetary allocations when they are adjusted either for an 8% annual rate of inflation (column 3) or the for the biomedical research and development price index (column 4).

As a result, the percentage of approved grants that are funded has diminished (Column 5) and is estimated to fall to 25% during this budgetary year of 1982 and to drop even further to a dangerously low estimated level of 16.4% in budgetary year 1983. These percentages are acheived only by funding grants at less than the budget levels approved by the NIH peer review panels. Parenthetically, the percentage of grants funded in digestive diseases is lower than any other estimated percentage in the NIADDK institute; other Divisions within the Institute expect funding at about 20% of their approved grants in 1983. I should point out that these figures are estimated and based on the assumption that the number of new applications in Digestive Diseases will continue to increase in 1983 as in the past 2 years albeit at a somewhat reduced rate.

I ask you, Mr. Chairman, to consider for a moment the implication of these budgetary facts on research activity in the digestive diseases field. This means that only one out of six digestive disease grants approved by the NIH peer review system will be funded in 1983. Five out of six will not. Furthermore, reductions in funding do not take into account the 4-5 percent reduction in budget level in 1982, nor the anticipated reduction in the indirect costs associated with grants. After Congress's previous successful efforts to stimulate research in digestive diseases, those who have entered the field will face discouragement and the number of new research applications will certainly begin to fall off.

Unless increased funds are specifically designated for digestive diseases research, (1) Some established investigators will have to abandon their research efforts, which often have been developed over decades of effort and developed with congressional support. (2) Talented new digestive disease investigators may decide not to pursue a career in research because of the instability of research funding. They will now be faced with the prospect of further decreases in research support and decide to abandon research. Thus, the long term consequences for health manpower in the digestive diseases research area are alarming. Indeed we are in real danger of entering a decade where there could be a lost generation of investigators in digestive disease research.

This progressive dismantling of the manpower for research in digestive diseases will quickly result in the present loss of the opportunities to lessen human suffering and the economic burden of digestive diseases. The National Digestive Diseases Advisory Board has the responsibility to advise you of the adverse consequences and impact of the proposed 1983 budget. Although the Board has only met on three occasions, it quickly realized that the National Plan to Combat Digestive Diseases outlined in the Digestive Diseases Commission report to Congress needed immediate attention and budgetary action for the reasons that I have outlined above. The Board supports the appropriation of 420 million dollars to the National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases for FY 1983 and asks that additional funds be provided specifically to Digestive Diseases to prevent a rate of funding below the other divisions in the Institute.

In addition the Board has carefully reviewed the recommendations of the Digestive Diseases Commission and the experience of arthritis and diabetes with the Center Program. It has concluded that certain research problems and opportunities may best be addressed by a variety of experts in basic and clinical science working together in the context of a center.

Therefore the Board recommends that additional funds be allocated to digestive diseases for development and establishment of a digestive diseases center program comparable to those successfully created in arthritis and diabetes. Specifically, the Board recommends $7 million in FY 83, and $10 million in FY 84, and $15 million in FY 85.

We appreciate every effort that you have made to assure that the health of this nation is secured through legislation such as the Health Research Act of 1982 which we note includes extending the life of the National Digestive Diseases Advisory Board.

Thank you for the privilege to appear before you. I will be happy to respond to questions or comments.

TABLE

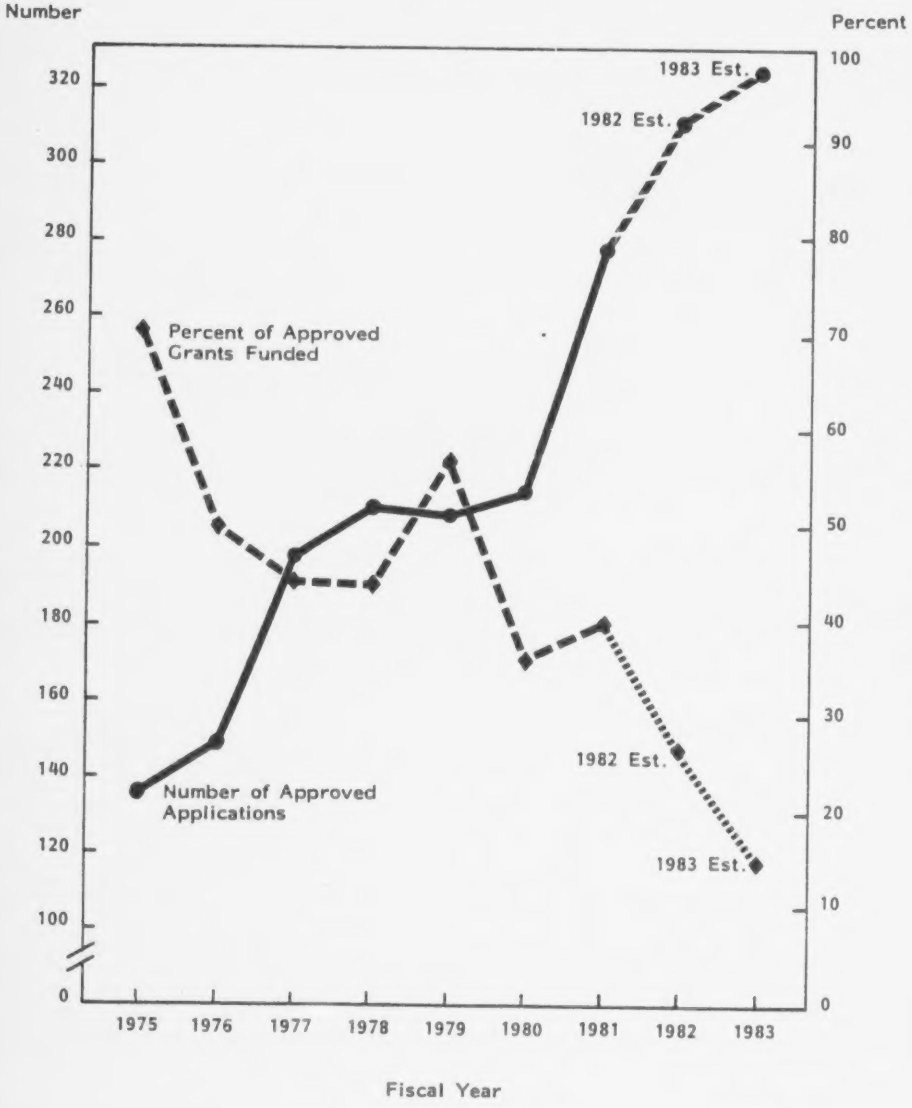
Funds for Digestive Disease, Extramural Programs

Research and Research Training

Fiscal Year	Total Allocation (Amounts in thousands)	Allocation in 1975 constant dollars[1]	Allocation in 1975 constant dollars[2]	Percent of Approved Grants Actually Awarded
1975	21309	21309	21309	70.5
1976	22166	20393	20628	49.3
1977	24881	21049	21442	43.9
1978	29006	22596	23266	42.3
1979	33396	23911	24750	56.5
1980	37243	24543	25299	34.7
1981	40197	24359	24685	40.9
1982	39796#	22206#	22668	25.1#
**1983	41193#	20982#	21497	16.4#

** President's budget
# Estimated
1 Assume 8% annual inflation
2 Calculated assuming 1975 constant dollars using Biomedical Research and Development Price Index

REGULAR RESEARCH PROJECTS IN DIGESTIVE DISEASES: NUMBER OF APPROVED APPLICATIONS AND PERCENT FUNDED



Statement of Suzanne Rosenthal

SUMMARY OF RECOMMENDATIONS

Issue A: Appropriations for the National Institute of Arthritis, Diabetes, Digestive and Kidney Diseases (NIADDKD) - the Coalition requests consideration of an appropriation of $420,000,000 to adequately provide for research support on digestive diseases and other diseases covered by this institute. (an additional amount of at least $7.0 million is needed for digestive disease research opportunities.

Issue B: Training - budget cuts - unless young investigators are trained to pursue research findings, we will face scientific stagnation. The Bio-medical Research Community is a national asset and world leader, but only if we insure continued funding for training physicians, scientists, and other health professionals.

Issue C: The Coalition urges support of appropriate levels of funding within the NIADDKD Institute to insure the operation of the National Digestive Disease Advisory Board, and the National Digestive Disease Clearing House.

Issue D: Centers and Data System funded as quickly as pending authorization is enacted,

I AM SUZANNE ROSENTHAL, CHAIRWOMAN OF THE COALITION OF DIGESTIVE DISEASE ORGANIZATIONS, WHICH REPRESENTS 17 LAY AND MEDICAL VOLUNTARY ORGANIZATIONS WITH PRIMARY INTEREST IN DIGESTIVE DISEASE HEALTH CARE, RESEARCH AND EDUCATION.

I AM HERE TODAY AS A DIGESTIVE DISEASE PATIENT REPRESENTING MORE THAN 20 MILLION PEOPLE WITH ALL THE DIGESTIVE DISEASES LISTED ON A CHART ATTACHED TO MY STATEMENT AND THEN SOME.

WE'RE VERY MUCH THE SILENT MASSES. YOU SEE, PEOPLE DON'T LIKE TO TALK ABOUT INFLAMED BOWELS AND BLEEDING FROM THE RECTUM OR CONSTIPATION AND GAS AND OTHER SUCH UNUSUAL TOPICS OF CONVERSATIONS.

AND THAT IS WHY TO THIS DAY, MAY 4, 1982 MOST AMERICANS DO NOT KNOW WHAT DIGESTIVE DISEASES ARE - MOST PEOPLE BELIEVE THE STOMACH IS THE GUTS AND IF THEIR BELLY HURTS IT'S BECAUSE THEY ATE OR DRANK TOO MUCH, AND SOME INEXPENSIVE OVER-THE-COUNTER DRUG ADMINISTERED AS PINK OR LEMONY YELLOW AND FIZZY OR FOAMY IS GOING TO PROVIDE THE CURE.

DIGESTIVE DISEASES ARE NOT TAKEN SERIOUSLY OR EVEN THOUGHT OF AS LIFE THREATENING UNTIL THE SEVERE PAIN LINGERS OR ONE FINDS THEMSELVES EITHER IN THE HOSPITAL OR VISITING SOMEONE IN THE HOSPITAL WHO IS HOOKED UP TO MACHINES FROM EVERY ORIFICE IN THE BODY!

THE NATIONAL DIGESTIVE DISEASE EDUCATION AND INFORMATION CLEARINGHOUSE

FORTUNATELY, CONGRESS, LEARNING FROM THE DIGESTIVE DISEASE COMMISSION REPORT ABOUT THE LACK OF ANY NATIONALLY ORGANIZED MECHANISM THAT COULD DEAL WITH THE MULTIPLE AND DIVERSE DIGESTIVE DISEASES EDUCATION REQUIREMENTS, ESTABLISHED THE NATIONAL DIGESTIVE DISEASE EDUCATION AND INFORMATION CLEARINGHOUSE.

THE CLEARINGHOUSE WAS MANDATED TO EDUCATE THE PUBLIC, PATIENTS AND PHYSICIANS ABOUT WHAT IS NEEDED TO BE KNOWN ABOUT THE PREVENTION AND TREATMENT OF DOZENS OF DIGESTIVE DISEASES.

THE CLEARINGHOUSE HAS SOME MINIMAL FUNDS ALLOCATED TO IT FROM THE NIADDK BUDGET, BUT IT IS PROVIDED AT THE EXPENSE OF IMPORTANT RESEARCH PROJECTS.

LIKE THE ORGANIZED HYPERTENSION COMMUNITY, COMBINED WITH THE INSTITUTE OF HEART, LUNG AND BLOOD, WHICH HAVE MADE A SIGNIFICANT EDUCATIONAL IMPACT ON THE AMERICAN PUBLIC REGARDING PREVENTION AND TREATMENT OF HEART DISEASE, SO TOO DOES THE DIGESTIVE DISEASE LAY AND MEDICAL COMMUNITY UNDERSTAND THE EXTRAORDINARY VOID THAT EXISTS CONCERNING DIGESTIVE HEALTH AND DISEASE AND WE'VE BEGUN TO DO SOMETHING ABOUT IT.

BUT THAT IMPORTANT GOVERNMENT AND PRIVATE SECTOR PARTNERSHIP IS ESSENTIAL IF REAL PROGRESS IS TO BE MADE.

AN OPPORTUNITY SUCH AS TODAY TO SHARE WITH THIS PRESTIGIOUS SUBCOMMITTEE THE VERY SERIOUS CONCERNS OF THE DIGESTIVE

DISEASE PATIENT AND THE PHYSICANS WHO TREAT THEM IS ONE STEP IN THE RIGHT DIRECTION.

NATIONAL DIGESTIVE DISEASE ADVISORY BOARD

IN ORDER TO ORGANIZE AND COORDINATE ANY SHORT OR LONG-TERM NATIONAL PLAN TO COMBAT DIGESTIVE DISEASE, IT WAS ESSENTIAL THAT THE NATIONAL DIGESTIVE DISEASE ADVISORY BOARD BE ESTABLISHED AND ADEQUATELY FUNDED SO THAT IT, LIKE THE NATIONAL DIABETES ADVISORY BOARD AND THE NATIONAL ARTHRITIS ADVISORY BOARD CREATED BEFORE IT AND PROVEN SUCCESSFUL SUCCESSFUL IN THEIR FIELDS, CAN PROVIDE VALUABLE CONTRIBUTIONS TO THE IMPROVEMENT OF FEDERAL DIGESTIVE DISEASE PROGRAMS AND FACILITATE COORDINATION WITH OTHER GOVERNMENTAL AND NON-GOVERNMENTAL ACTIVITIES. CONGRESS, IN ITS WISDOM, AUTHORIZED THIS BOARD A YEAR AGO AND IT IS NOW IN PLACE AND FUNCTIONS WELL, UNDER THE LEADERSHIP OF DR. PAUL SHERLOCK, CHAIRMAN, DEPARTMENT OF MEDICINE, MEMORIAL SLOAN-KETTERING CANCER CENTER, NEW YORK.

RESEARCH OPPORTUNITIES

I WOULD LIKE NOW TO DISCUSS WITH YOU A FEW OF THE ADVANCES WHICH ARE LEADING TO RESEARCH OPPORTUNITIES IN THE FIELD OF DIGESTIVE DISEASES.

1. OVER THE PAST 25 YEARS WE HAVE DEVELOPED INSTRUMENTS THAT CONTAIN FLEXIBLE GLASS FIBERS THROUGH WHICH CAN LOOK DIRECTLY INSIDE THE GASTROINTESTINAL TRACT AND SEE ULCERS AND TUMORS IN THE STOMACH, ESOPHOGUS, AND COLON. THESE INSTRUMENTS HAVE GREATLY ALTERED THE PRACTICE OF GASTROENTEROLOGY. THE AVAILABLE TECHNOLOGY OFFERS POSSIBILITIES FOR MAJOR ADVANCES IN THE FUTURE. WE MAY BE ABLE TO DIRECTLY STUDY CLINICAL PROBLEMS SUCH AS THE GASTROINTESTINAL CIRCULATION AND SECRETION IN THOSE PATIENTS WITH DISEASE.

2. CIRRHOSIS IS THE TERM USED TO DESCRIBE SCARRING OF THE LIVER THAT RESULTS FROM SEVERAL DISORDERS SUCH AS HEPATITIS AND THE EFFECTS OF ALCOHOL. CIRRHOSIS NOW RANKS SEVENTH AMONG CAUSES OF MORTALITY. DIGESTIVE DISEASE INVESTIGATORS ARE ACTIVELY PURSUING RESEARCH INTO THE BIOCHEMICAL BASIS OF THE SCARRING

PROCESS WHICH IS RESPONSIBLE FOR MANY OF THE SERIOUS COMPLICATIONS OF THE DISEASE. THERE IS NOW AN OPPORTUNITY TO STUDY DRUGS WHICH MAY INTERFERE WITH AND HALT THIS SCARRING PROCESS.

3. AGAIN, IN RELATION TO LIVER DISEASE THERE IS A VERY EXCITING NEW DEVELOPMENT WHERE AT LEAST SOME CASES OF CANCER OF THE LIVER ARE ASSOCIATED WITH CHRONIC HEPATITIS. THIS MAY GIVE US THE OPPORTUNITY TO STUDY THE FACTORS WHICH LEAD TO THE TRANSFORMATION FROM BENIGH TO MALIGNANT DISEASE. THE RECENT ANNOUNCEMENT OF THE LICENSING OF A VACCINE AGAINST HEPATITIS B VIRUS HAS FOCUSED ATTENTION ON THIS MAJOR WORLD-WIDE PUBLIC HEALTH PROBLEMS. IN AN EXCITING DEVELOPMENT, NIADDK-SUPPORTED SCIENTISTS HAVE SHOWN THAT THE HEPATITIS B VIRAL DNA CAN BE INCORPORATED INTO THE NUCLEUS OF LIVER CELLS AND THAT THIS MAY BE ASSOCIATED WITH THE DEVELOPMENT OF CANCER OF THE LIVER. HOWEVER, THIS PROCESS DOES NOT OCCUR DURING THE ACUTE PHASE OF INFECTION, BUT RATHER TENDS TO OCCUR BETWEEN 2 AND 8 YEARS LATER. THE IMPLICATION FOR DESIGNING TREATMENT IS TO FOCUS ON METHODS TO CLEAR THE VIRAL INFECTION BEFORE THAT TIME AND THUS LOWER THE RISK OF LIVER CANCER.

4. AS YOU MAY KNOW, THE DIGESTIVE TRACT IS VERY SUSCEPTIBLE TO THE EFFECT OF THE EMOTIONS AND STRESS. RECENT ADVANCES HAVE SHOWN THAT THE BIO-CHEMICAL AND HORMONAL COMPOUNDS THAT CONTROL DIGESTIVE TRACT FUNCTIONS ARE ALSO FOUND IN THE BRAIN, SUGGESTING A POSSIBLE INTERRELATIONSHIP. FURTHER RESEARCH, SUCH AS THAT WHICH IS OCCURRING IN THE ULCER CENTER IN CALIFORNIA, SHOULD HELP US UNDERSTAND THIS RELATIONSHIP.

5. AN EXAMPLE OF WHERE BASIC RESEARCH HAS RESULTED IN TREATMENT OF AN IMPORTANT DISEASE IS GALLSTONES. STUDIES OF THE CHEMISTRY OF THE BILE HAVE LEAD TO THE UNDERSTANDING OF HOW GALLSTONES ARE FORMED. ON THE BASIS OF THIS UNDERSTANDING A TREATMENT FOR GALLSTONES WAS DEVELOPED WHICH HAS BEEN TESTED AND FOUND EFFECTIVE IN SOME PATIENTS. NEWER AND POTENTIALLY MORE EFFECTIVE DRUGS ARE NOW BEING TESTED FOR THIS DISEASE.

6. THE NIADDK INSTITUTE IS SUPPORTING STUDIES OF THE EFFECTS OF A HIGH FIBER, HIGH ROUGHAGE DIET IN THE PREVENTION

OF DIVERTICULOSIS (OUTPOCKETINGS OF THE INNER LINING OF THE LARGE INTESTINE) AND ITS DEBILITATING CONSEQUENCE, DIVERTICULITIS, A VERY COMMON DISORDER IN PEOPLE OVER 60 YEARS OF AGE.

7. THE TRAINING AND DEVELOPING OF YOUNG PEOPLE IN RESEARCH, PARTICULARLY PHYSICIAN SCIENTISTS WHO ARE ABLE TO PURSUE RESEARCH FROM THE LABORATORY TO THE PATIENT'S BEDSIDE, IS ESSENTIAL IF WE ARE TO REALIZE THE MANY OPPORTUNITIES PROVIDED BY SCIENCE TODAY AND TO MAINTAIN THIS COUNTRY'S LEADING ROLE IN BIO-MEDICAL RESEARCH. NEW, YOUNG INVESTIGATORS MUST SEE SCIENCE AS A VIABLE AND STABLE CAREER FIELD IF WE ARE TO ATTRACT AND KEEP PRODUCTIVE PEOPLE WHO WILL BE ABLE TO PURSUE RESEARCH OVER THE EXTENDED PERIOD OF TIME REQUIRED TO GENERATE SIGNIFICANT NEW KNOWLEDGE.

8. THE MEDICAL TREATMENT OF PEPTIC ULCERS IS GENERALLY EFFECTIVE TODAY, BECAUSE OF THE DEVELOPMENT OF DRUGS, SUCH AS CIMETIDINE (TAGAMET), THAT ARREST SECRETION OF HYDROCHLORIC ACID. A NEW DRUG, TIOTIDINE, APPEARS TO BE EVEN MORE EFFECTIVE THAN CIMETIDINE.

9. NUTRITION IS AN AREA OF GREAT PUBLIC INTEREST AND IMPORTANCE. NIADDK NOW SUPPORTS FIVE CLINICAL NUTRITION UNITS THAT REPRESENT A NEW MULTIDISCIPLINARY APPROACH TO NUTRITION RESEARCH. IT IS ENVISIONED THAT BY INTEGRATING NUTRITION ACTIVITIES IN MEDICAL INSTITUTIONS THAT SUPPORT RESEARCH, TRAINING, AND PATIENT CARE, KNOWLEDGE ABOUT SPECIFIC NUTRIENTS AND THEIR EFFECT ON HEALTH, HUMAN DEVELOPMENT, AND THE PREVENTION AND TREATMENT OF DISEASE WILL BE GENERATED . RESEARCH FUNDS FOCUSED HERE COULD HAVE SIGNIFICANCE BOTH FOR CHILDREN AND FOR ADULTS WHOSE DISEASES OR NUTRITIONAL UNBALANCES START IN CHILDHOOD.

CENTERS, DATA SYSTEM, EXTENSION OF ADVISORY BOARD

THE COALITION OF DIGESTIVE DISEASE ORGANIZATIONS -- AND THE ENTIRE DIGESTIVE DISEASE COMMUNITY HAS ENDORSED AND SUPPORTED LEGISLATION PENDING BEFORE THE AUTHORIZING COMMITTEES THAT WOULD GREATLY ENHANCE OUR EFFORTS.

THIS AUTHORIZATION WOULD:

A. ESTABLISH DIGESTIVE DISEASE CENTERS - CERTAIN OF THE RESEARCH PROBLEMS AND OPPORTUNITIES THAT I HAVE DISCUSSED MAY BEST BE ADDRESSED AND COORDINATED BY A VARIETY OF EXPERTS IN BOTH BASIC AND CLINICAL SCIENCE WORKING TOGETHER, IN THE CENTER CONCEPT. EXPERIENCE HAS SHOWN IN OTHER DISEASES THAT THIS CAN WORK VERY EFFECTIVELY.

B. ESTABLISH AN EPIDEMOLOGY AND DATA SYSTEM PROGRAM. THE PRESENT SYSTEM FOR DATA COLLECTION ON NATIONWIDE PREVALENCE, SERIOUSNESS, AND DISTRIBUTION OF DIGESTIVE DISEASES IS TOTALLY INADEQUATE.

C. EXTEND THE DIGESTIVE DISEASES ADVISORY BOARD THROUGH FY 1985, PERMITTING A CONTINUITY OF SOUND FORWARD PROGRAMMING AND PLANNING.

AS QUICKLY AS THESE AUTHORIZATIONS ARE ENACTED, WE WILL LOOK TO THIS COMMITTEE FOR APPROPRIATE CONSIDERATION ON FUNDING.

NIADDK

TODAY WE WANT TO SPEAK UP TOO, FOR THE NIADDK INSTITUTE THE PRESIDENT'S BUDGET IS INADEQUATE FOR NIADDK. BOTH NIH GENERALLY AND NIADDK ARE EXPERIENCING FUNDING SQUEEZES THAT WILL HAVE A LONG-TERM IMPACT ON THE QUALITY OF AMERICA'S HEALTH. THE 3% INCREASE SUGGESTED BY THE PRESIDENT FOR NIH IS ONLY ABOUT ONE-THIRD OF THE INFLATION RATE.

NIADDK IS ESPECIALLY HARD HIT, BECUASE ITS BUDGET FOR FY 82 IS LESS THAN THE FY 81 LEVEL IN DOLLARS, THE FIRST REDUCTION FOR ANY NIH INSTITUTE SINCE 1975, AND NO COMPENSATORY INCREASE IS OFFERED FOR FY 33.

IMPORTANT RESEARCH OPPORTUNITIES ARE BEING IGNORED, AND THESE TRENDS, PLUS REDUCED TRAINING MONEY, ARE CONVINCING MANY GOOD SCIENTISTS THAT IT IS NO LONGER ADVISABLE TO PLAN ON A CAREER IN BIOMEDICAL RESEARCH.

WE BELIEVE THAT THE INSTITUTE SHOULD RECEIVE AT LEAST $420 MILLION IN FY 83. AT A LEVEL OF $420 MILLION, THE INSTITUTE

COULD FUND ABOUT 35% OF ITS APPROVED RESEARCH APPLICATIONS, AND HAVE SOME MONEY TO STRENGTHEN OTHER IMPORTANT RESEARCH PROGRAMS AS WELL, INCLUDING RESEARCH TRAINING, CLINICAL TRIALS, AND CENTERS. AN APPROPRIATION OF $420 MILLION FOR NIADDK WOULD STILL REQUIRE ALMOST TWO-THIRDS OF SCIENTIFICALLY-MERITORIOUS GRANT APPLICATIONS TO GO UNFUNDED, BUT IT WOULD REPRESENT A MAJOR STEP TOWARD PROMOTING GREATER UNDERSTANDING OF THIS IMPORTANT GROUP OF HEALTH PROBLEMS. AT LEAST $7.0 MILLION OF THIS INCREASE SHOULD GO TO SUPPORT DIGESTIVE DISEASE PROGRAMS AND OPPORTUNITIES.

MR. CHAIRMAN, DIGESTIVE DISEASES IS THE RUNT OF THE LITTER IN NIADDK, IT NEEDS SPECIAL CARE TO BECOME A VIABLE ENTITY CAPABLE OF PREVENTING SOME OF THE HUMAN SUFFERING CAUSED BY A MULTITUDE OF DISEASES.

WE HAVE COORDINATED OUR DIGESTIVE DISEASES FORCES TO HAVE A UNIFIED APPEAL TO CONGRESS THROUGH THIS COALITION.

WE ARE ANXIOUS TO JOIN WITH THIS COMMITTEE TO TAKE THE NEXT VITAL STEP TO GAIN ADDITIONAL SUPPORT FOR MILLIONS OF AMERICANS AFFLICTED WITH DIGESTIVE DISEASES.

THANK YOU.

COALITION OF DIGESTIVE DISEASE ORGANIZATIONS

AMERICAN CELIAC SOCIETY
AMERICAN COLLEGE OF GASTROENTEROLOGY
AMERICAN GASTROENTEROLOGICAL ASSOCIATION
AMERICAN LIVER FOUNDATION
AMERICAN SOCIETY FOR GASTROINTESTINAL ENDOSCOPY
AMERICAN SOCIETY FOR PARENTERAL AND ENTERAL NUTRITION
CENTER FOR ULCER RESEARCH AND EDUCATION FOUNDATION
CHILDRENS LIVER FOUNDATION
DEAN THIEL FOUNDATION
GLUTEN INTOLERANCE GROUP
INTERNATIONAL ASSOCIATION FOR ENTEROSTOMAL THERAPY
NATIONAL FOUNDATION FOR ILEITIS AND COLITIS
NORTH AMERICAN SOCIETY FOR PEDIATRIC GASTROENTEROLOGY
PEDIATRIC LIVER RESEARCH FOUNDATION
SOCIETY FOR GASTROINSESTINAL ASSISTANTS
UNITED OSTOMY ASSOCIATION

STATEMENT OF DR. JOHN T. SESSIONS, JR.

Mr. Chairman, I am John T. Sessions, Jr., M.D., Professor of Medicine, Division of Digestive Diseases and Nutrition, University of North Carolina at Chapel Hill. I represent the American Gastroenterological Association which has over 4,000 physician members who are concerned with the improvement of patient care and research in the field of digestive diseases.

You have already heard today, and will hear further, of the extraordinary opportunities which are now becoming available in the field of digestive diseases research. All of us in the field are aware that you and your colleagues, Mr. Chairman, are not only largely responsible for the rapid advances in biomedical research which have already taken place, because of your strong and constant support for funding of the National Institutes of Health, but also have been alert to the new opportunities which are burgeoning everywhere in the biomedical sciences.

May I take a moment of time to suggest several opportunities now before us in the field of Digestive Diseases research?

1. Interaction Between Hormonal Effect in the Brain and Gut

Over the recent past scientists have found a number of hormones that regulate secretions, muscular contractions and cell growth in the gastrointestinal tract. More recently, they have found some of these same hormones, such as cholecystokinin and gastrin, in the brain. We now want to determine the reasons why these hormones are found in both the brain and the gut. It may be that a common cause of digestive problems during mental or emotional stress is the release of hormones from the brain and these same hormones are then responsible for the changes in secretion or motility eventuating in clinical symptoms. These hormones have a variety of functions in brain and gut. For example, in the gut cholecystokinin causes the gall bladder to contract, emptying bile into the gut, and the pancreas to secrete. In the brain the hormone may regulate appetite. Gastrin (another hormone), causes the stomach to secrete hydrochloric acid. When applied to certain sites in the brain, gastrin may also induce the stromach to secrete acid.

We are isolating, purifying and even synthesizing the hormones from human sources, and not just from animals, as in the past. Basic scientific studies using these hormones should generate knowledge leading to a better understanding of brain-gut interaction.

2. Chronobiological Factors in Digestive Function and Disease

Data has been accumulated over the past 20 years suggesting a considerable impact of biological periodicities on clinical, diagnostic, and therapeutic schedules. Naturally occurring rhythms affect the morphology and function of the digestive system, as well as the secretion of hormones, response to drugs, and resistance to toxic agents. These observations suggest that future research should consider the effect of the time of day or the season on digestive tract function. Variations in enzyme activity influence the effectiveness or toxicity of the drugs we give, and it may be important to time the administration of drugs to reduce potential side effects. Further, there is the possibility of measuring changes in common, natural occurring rhythm to detect early gastrointestinal disease or to anticipate attacks of several diseases. For example, if individuals were to determine their own normal rhythm structure for simple variables such as body temperature, pulse rate, blood pressure, or grip strength, it might be possible to identify specific alterations that predict the onset of the active phase of a disease. With such information physicians could begin treatment before severe symptoms develop, and could thus minimize the discomfort of the patient, improve the efficiency of the treatment, and even reduce the amount of hospitalization required.

3. Nuclear Changes in Patients with Chronic Hepatitis Who Develop Cancer of the Liver

Recent advances have made it possible to detect very small amounts of the viral material from the hepatitis B virus. With these tests, viral material can be detected in liver samples weighing 10 to 20 milligrams. This size sample can be obtained by needle biopsy of the liver.

Studies suggest that there may be progressive damage in some patients who are asymptomatic carriers of the hepatitis virus. Initially after infection, the nuclear material from the virus is present in the liver cells, but not in the liver cells' nuclei. This observation remains true over the short term. However, after several years it has been possible to detect viral nuclear material in the nuclei of the liver cells themselves. Importantly, the viral nuclear material may become imbedded in the chromosomes of the chronically infected patient. This incorporation of the viral material into the liver cell nucleus has been associated with cancer of the liver. This suggests a possible mechanism by which cancer of the liver may develop as a result of a viral infection. The study also provides an impetus to further the use of the hepatitus B vaccine. It is possible that vaccination against hepatitis B could alter the incidence of cancer of the liver. This is the most common cancer in the world as a whole, though it is not among the common cancers in the United States.

4. Sucralfate - A New Appraoch to Study the Process of Ulcer Healing

The last five years have seen a revolution in the therapy for peptic ulcer disease. We had been depending primarily on antacides which neutralize stomach acid responsible for ulcers. Recently other safe and effective drugs have been developed. The first of these is cimetidine. This agent is capable of suppressing 90% of the stomach's acid secretion and heals ulcers more rapidly than do antacids. Further, if the patient continues to take the medicine, the ulcers are less likely to recur. A new agent, sucralfate has recently been approved by the FDA. This agent works in an entirely different manner from either antacids or cimetidine. The drug is bound six times more avidly in areas of ulceration than in surrounding normal tissue. It works by producing a chemical tarpaulin over an active ulcer and thereby promotes healing. Pepsin activity, which enhances the damaging effects of acid, is also inhibited by this drug. A recent study shows it to be as effective as cimetidine in promoting healing. Importantly, because this new agent acts differently than other anti-ulcer agents, it may work when other agents did not, or it may be that combination therapy, independently attacking the problem on two fronts could be more successful than any of the drugs used alone.

5. Pigment Stones

Gallstones are a distressing, common, but to date a difficult to manage illness. The therapy has historically been surgical, but there are now oral medications which can be of use in some patients with cholesterol stones, the most common type of gallstone. Another type of gallstone, pigment gallstone, comprise 27% of gallstones. As yet, there is no medical therapy for these stones. We have, however, identified factors which render patients more susceptible to pigment stones; for example, patients with increased rates of red cell destruction such as sickle cell anemia. We are beginning to understand the factors involved in pigment stone formation. The physical-chemical nature of pigment stones is unfolding. First they appear to be a polymer as opposed to the hydrated crystal, found in cholesterol stones. It is also recognized that the pigment group may be subclassifiable. New data suggests they are neither chemically nor clinically homogeneous. The follow-up of similar leads in the cholesterol stone example lead to clinically useful drugs, and, for now, the pigment stone work is moving in the same direction. Determining the solubility properties of this type of stone should not only shed light on this fundamental disease process, but could also lead to the development of drugs similar to those used effectively to dissolve cholesterol gallstones.

Mr. Chairman these are only a few of the opportunities now present. We would like to make several recommendations to assure that the potential opportunities are realized:

1. That if authorization legislation is made law this year, which provides for Digestive Diseases Centers and an Epidemiological Data program, within the National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases, funds to support these programs should be made available, and also that language spelling out that support be made part of the bill report from the Appropriations Committee.
2. That funding of $420 million be granted to the National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases for FY 1983.

As is now evident, this Institute was one of only two at the NIH which received lower funding in FY 1982 than in FY 1981. While the reason for this is unclear, the results of the lowered funding are quite clear, and decidedly unfortunate. The recommended level should help to make up for that shortfall in funding.

3. The NIH should be supported at a level which provides stability in the number of research grants that can be funded.

Thank you for your attention to our requests. If there are any questions, I would be pleased to respond.

STATEMENT OF DR. BERGEIN F. OVERHOLT

Mr. Chairman, thank you for giving us the opportunity to appear before your committee to give our views on appropriations in the field of digestive diseases research for FY 1983.

My name is Bergein F. Overholt, M.D. I am a practicing gastroenterologist in Knoxville, Tennessee, having begun my practice in 1969. I represent the American Society for Gastrointestinal Endoscopy (ASGE) which represents over 2,500 physician and surgeon members who have acquired training and skills in the proper use of flexible fiberoptic endoscopes to visualize safely areas of the digestive tract previously seen only with surgical intervention.

In the past, all of us in the field of digestive disease research and care have had cause to be appreciative of the support you and your committee have given our field, and know that you will continue that support in FY 1983.

Our Society is primarily concerned with quality care and education of its members, but it also has a deep interest in research in the entire field of digestive diseases, and in particular in endoscopy. That is why we have come to testify regarding NIH funding and, in particular, funding for the Institute which provides most of the research opportunities for the field.

We have three specific recommendations to make to this committee:

1. Provided that two programs are authorized this year by the Congress, namely Centers for Digestive Diseases and an Epidemiological Data System, this committee is requested to specifically fund them, and perhaps indicate support specifically in bill report language.
2. The National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases should be funded at a level of approximately $420,000,000.
3. Continuation of NIH programs at a level calculated to provide stability should be a major aim of the subcommittee during FY 1983.

Mr. Chairman, let me now deal directly with gastrointestinal endoscopy, which uses flexible instruments called "scopes" that incorporate hair-like glass fibers to transmit excellent visual images even around the bends and curves of the digestive tract. Recent advances, which I might add were developed in great part thanks to Federal support and encouragement, now allow safe, rapid, and relatively comfortable examinations of the esophagus, stomach, duodenum and the entire colon. In addition, probes passed through these instruments can be placed into the ducts of the liver and pancreas to allow injection of radio-contrast materials for x-ray studies.

Likewise, other probes can be passed through these "scopes" to take biopsy and cytology specimens, remove foreign bodies and even remove polyps and other growths from the intestine.

The opportunities for research in this field are growing at an extraordinary rate; as the various fields of biomedical research more forward, including those of instrumentation, it becomes clear that the endoscope and its allied and derivative equipment have many new opportunities for service to patients with digestive diseases.

Research Opportunities Made Possible Through the Development of Endoscope Technique

Over the past 25 years we have developed instruments that contain flexible glass fibers through which we can look directly inside the gastrointestinal tract and see ulcers in the stomach, or polyps in the colon instead of looking for their shadows on an x-ray. These instruments greatly altered the practice of gastroenterology by improving both diagnosis and treatment of gastrointestinal disease.

The available technology offers possibilities for major advances, if not a revolution, in gastroenterologic research. We may be able to study clinical problems directly in those patients with disease, rather than relying on inferences from studies in test tubes or experimental animals.

Among the new opportunities are the following:

1. Ulcers and the Circulation in the Digestive Tract

Knowledge of the circulation is important to our understanding of, and ultimately the treatments of, several disorders. For instance, stress-related erosions of the stomach and upper intestine may bleed and lead to death in patients who are already dangerously ill. In these patients, evidence suggests that the stomach and intestinal wall may be vulnerable to erosion because of impaired circulation.

Such knowledge may also be important to our understanding and development of a treatment for the more common forms of peptic ulcer. These ulcers occur in people who are otherwise well. While the ulcers usually heal, it is common for another ulcer to form within several months to a few years, and the recurrent ulcer is often found at the same spot as the first ulcer. Evidence suggests that healing may leave an altered vascular pattern. Knowledge of the vascular changes during the formation and healing of ulcers could lead to a better understanding of the factors that cause ulcers and hopefully lead to improved treatment and perhaps help prevent the recurrence of this common digestive disorder. In some cases, blocks occur in blood vessels supplying blood to a part of the intestine. The ability to measure the circulation in segments served by the blocked vessel would provide a basis for a surgeon's decision as to whether to operate, and if so, what segments to remove.

Endoscopy provides technology to directly visualize and measure various aspects of gastrointestinal blood flow and should play a leading role in blood flow studies as they relate to patients.

2. Gallstones, Cause and Treatment

Another series of opportunities for research results from the ability to put a catheter into the small biliary ducts and obtain bile close to the sites where it is formed in the liver. It is likewise possible to obtain successive samples of bile as it passes on down through the larger and larger ducts that finally drain into the gallbladder and then into the intestine. Such samples should provide precise information on the bile as it is formed and changes that occur as it passes down the ducts, with the hope that the insights to be gained from this will provide further useful information on the causes and treatments of gallstones. We may be helped in these studies by devices, like the catheters, which can be introduced well up into the ducts and have at their tips, sensors which can measure the concentrations of such substances as carbon dioxide, calcium ions and hydrogen ions.

Using catheters, we can introduce substances which dissolve gallstones, into the ducts and study how and why they work, and what their limitations are.

3. Pancreatitis

Possibly as important, or even more important, is the opportunity to study the pancreatic secretion in the pancreatic ducts. Pancreatitis is a common disorder that can be fatal, and in many cases becomes disabling because of frequent recurrences which ultimately may destroy the pancreas. Pancreatitis is associated with alcoholism, biliary tract disease, and high fat levels in the blood. We do not know how any of these disorders cause pancreatitis. The pancreas has been very difficult to study. Until recently we could not abstract pure secretions from the pancreas, but could only obtain the pancreatic juice after it had passed into the intestine and been contaminated with intestinal contents. With the use of the endoscope we can obtain pure secretions near the site where it is secreted, and also observe changes in the composition as it passes down the ducts. We already know there are some important changes in pancreatitis. Stones may even form in the ducts. It may be possible to observe the effects on pancreatic secretion of alcohol, of high blood fat, and of biliary tract disorders, and translate these observations into the better understanding which ultimately may lead to better treatment.

4. Needed: A Clinical Trial of Endoscopic Treatment of Upper Gastrointestinal Hemorrhage

Gastrointestinal bleeding is an important medical problem accounting for approximately 200,000 hospital admissions each year in the United States. Despite improvement in the overall care of critically ill patients and the ability to diagnose bleeding lesions by endoscopy, the mortality of patients with significant GI hemorrhage remains approximately 10%. Older patients are at increased risk, and the proportion of patients over age 60 with bleeding has increased significantly (from 8% in 1937 to 45% in 1976). The frequency of death is high if hemorrhage has to be treated with abdominal operation. Alternative procedures are urgently needed.

It is now possible to see the site of bleeding through an endoscope. Early work suggests that cauterizing with electrical probes or with a laser through the endoscope will stop the bleeding. If this treatment should prove to be successful, we could avoid special risk of abdominal surgery in those patients who are often critically ill.

It is clear that a clinical trial of the procedure is necessary.

Just this year, Mr. Chairman, in January, a small group of scientists from varying disciplines convened at the National Institutes of Health to address the possible role of fiber optic endoscopy in digestive diseases research. The meeting was organized and sponsored by the Digestive Disease and Nutrition Program of the National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases (NIADDK) with the assistance of the Executive Committee of the American Society for Gastrointestinal Endoscopy (ASGE).

The purpose of this conference was to examine how this technology could be used in new ways in research on the normal functions and diseases and disorders of the digestive tract. The meeting was attended by basic scientists, engineers, clinicians and manufacturers of endoscopic devices and their associated equipment.

Some of the new opportunities identified at this meeting were:

- Development of a quantifiable method for the continuous measurement of mucosal blood flow is needed; such observations could have relevance to the development and healing of stress ulcer and peptic ulcer and help distinguish between ischemic colitis, ulcerative colitis, antibiotic colitis and Crohn's disease of the colon; the laser-doppler velocimeter was identified as being one method which might be sensitive to rapid changes, provide continuous monitoring, and produce quantifiable results.
- A two-channel endoscope fitted with a hydrogen electrode (to measure resting blood flow) and a laser-doppler velocimeter (to measure changes in blood flow) together could provide a very sensitive record of blood flow.

- Technology now exists to use a magnifying endoscope to visualize the gastric mucosa microcirculatory pattern using either epi-illumination of fluorescein in the vasculature or transillumination in patients who would be undergoing peritoneoscopy or laporoscopy. These techniques could be used to visualize areas of healed or active ulcers. There are other techniques which may be used but the biggest difficulty is that whatever technique is developed, it must produce numbers related to mucosal blood flow.

- It may be possible to measure the tension in the wall of a varix and predict the possibility of rupture.

- Studies are required to understand the behavior and function of the normal epithelial tissue of the GI tract including the chronobiology of cell kinetics and proliferation and the effect of these functions of exogenous agents including carcinogens. Such studies could contribute to our understanding of the healing of gastrointestinal lesions.

- Endoscopy offers the opportunity for longitudinal observations and biopsies in those patients with lesions or disease states, such as atrophic gastritis, which are associated with increased cancer risk.

- Instrumentation is needed for the immediate freezing of biopsy tissue so that histochemistry and morphology can be studied before the deterioration that occurs so rapidly in excised, digestive tract tissue.

- It would be useful to develop an endoscopically applied collecting cup for collecting a mixture of pure pancreatic and biliary secretions, uncontaminated by intestinal contents. Such experiments may contribute to an understanding of the cause and a treatment for pancreatitis.

- Intraductal probes can be used to measure pH, CO_2, Ca^{+2}, etc. continuously at one site or at various levels of the duct. Thus, changes in the secretions, as they pass through the ductular system, could be determined.

- In the stomach topical physiological probes are needed to identify areas of abnormal secretory function and relate these to markers of tissue metaplasia.

- Because of the ability of clinicians to catheterize the biliary ductal system, new solvents and methods for delivering these solvents for the direct dissolution of gallstones, common duct stones and retained stones can be studied.

- Because of the development of miniature fiberoptics, it is possible to implant a fiber bundle in the GI tract of animals and exteriorize the distal portion of the bundle percutaneously. This would allow visualization of the region under study at any time and following any treatment with a minimum of disturbance to the experimental animal. A device to wash the end of such a bundle may need to be developed.

- The possibility was raised that under selected circumstances, it may be possible to conduct spectrophotometric measurements through a fiber bundle in an endoscope and thus monitor chemical changes.

STATEMENT OF MAXINE TURON

Mr. Chairman, members of the subcommittee, distinguished guests. My name is Maxine Turon. I am chairman of the Children's Liver Foundation, Inc., a nonprofit, volunteer organization formed in 1975 to fight pediatric liver disease.

Many people are not aware that children CAN and DO suffer from progressive, ultimately fatal liver disease -- the general view is that problems of the liver are found only in rheumy-eyed, grizzled old drunks and burned-out drug addicts.

But the fact is that liver disease kills children and young adults at a higher rate than Muscular Dystrophy, Cystic Fibrosis, Leukemia, or Tay Sachs disease -- more than 100 forms of liver disease kill or permanently damage thousands of American children each year.

Some pediatric liver diseases can be controlled by medication, diet, or both. But others, like Biliary Atresia, cannot.

Biliary Atresia, a disorder which involves obstruction of the bile ducts, is the most devastating pediatric liver disease. It alone kills approximately 400 youngsters each year. My own daughter, Danielle, died at the age of three of Biliary Atresia and its complications.

Right now, liver transplant surgery is the only treatment for many of the children afflicted with Biliary Atresia and for other severe forms of pediatric liver disease, such as cirrhosis stemming from Neonatal Hepatitis.

The problem is that only one surgeon, Dr. Thomas Starzl, of the University of Pittsburgh Medical Center, now performs the operation with any frequency.

The procedure is simply too expensive for most families. The U.S. and most state governments offer no assistance, and private health insurance plans generally provide no coverage.

One result is that dying children cannot get the treatment they need. Another is that doctors are discouraged from entering the field -- no surgeon will practice without income.

Alternatives to liver transplant surgery cannot be developed without research, and research cannot be sustained without money.

U.S. Department of Health and Human Services Secretary Richard S. Schweiker has acknowledged that "only limited federal funds are available" for liver disease research. We feel this is an understatement. In the fiscal year 1981 NIH granted $44,044,142 for liver disease research for all age groups. Only $2,865,434 of that amount was directed for pediatric liver disease and biliary tract research. Certainly this is not much of an investment for America's future which lies in our children.

But money for liver transplant surgery can be generated at the state level, and new support for research can be found in the private sector. The prerequisite is a determination from Health and Human Services that liver transplant surgery is no longer experimental.

There is considerable evidence that the procedure is past the trial-and-error stage -- Dr. Starzl, who pioneered the complex procedure, has reached a success rate of better than 80 percent with Cyclosporin-A, a fungus extract that prevents the bodily rejection of a transplanted liver.

The authoritative New England Journal of Medicine will report in a forthcoming issue that, since May, 1981, Dr. Starzl and his team have performed 19 primary liver transplants on children.

Thirteen of those youngsters have fully recovered. Two others are still hospitalized, but they, too, are recovering. Another is being considered for a second transplant, and three have died of complications NOT related to the liver transplants.

The numbers say it better than I can -- liver transplant surgery is indeed a bona fide, therapeutic, life-saving procedure. I have met with Dr. Starzl's associates in Pittsburgh, and they are sure of that. I know several families, including those of three-year-old Lauren Toohey and three-year-old Todd McNeely, who will attest to it -- Lauren and Todd are alive, well, and happy today ONLY because they have had liver transplants.

Health and Human Services will review Dr. Starzl's latest findings and determine whether they warrant reclassification. But unless and until that happens, alot of important work will come to a halt.

For example, Representative Guy V. Molinari, a Staten Island Republican, recently persuaded New York State health officials that liver transplant surgery is therapeutic, not experimental.

New York had until that point last December refused to provide Medicaid coverage for liver transplants because Health and Human Services had deemed the operation experimental.

Representative Molinari, acting at the request of the Children's Liver Foundation and one of its Staten Island members, Denise Attilio, provided New York State Health Commissioner David Axelrod with the facts and figures from Dr. Starzl, and the state amended its policy.

That cleared the way for Denise to have the liver transplant she desperately needed, but which her family had been unable to pay for.

Representative Molinari and the Children's Liver Foundation then contacted the governors of each remaining state, asking them to fairly consider the New York example and revise their respective programs to include coverage for liver transplants.

But most of them replied that state policy cannot be changed until U.S. policy changes -- and U.S. policy states, inappropriately, that liver transplant surgery is experimental.

The Children's Liver Foundation respectfully urges the chairman and the members of the subcommittee to exert whatever influence it can on Health and Human Services, to persuade Secretary Schweiker and the National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases that liver transplant surgery is therapeutic. We will provide the chairman and the subcommittee with additional information and specifics about liver transplants if they so request.

Once the U.S. makes that determination, states will make money available, private insurers will review their policies, and private sources will be encouraged to support liver disease research -- all of which would preclude additional federal spending.

Every medical and technological advance the United States has made in its 206 years has had its start as an experiment -- even the U.S. space program was considered a fanciful notion at one time.

That concludes my prepared remarks. I am available for any questions the subcommittee may have.

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SUMMARY

The Children's Liver Foundation, Inc., a national nonprofit volunteer organization is intent upon encouraging the U.S. government to change the classification of liver transplantation from experimental to a therapeutic life sustaining surgical procedure.

We believe in light of the successes of Dr. Thomas E. Starzl of the University of Pittsburgh that liver transplantation is no longer a dream for few, but a reality for many. Those children, whom every year in the U.S. sadly become afflicted with terminal liver disease, now have a viable option for an extended life.

Unfortunately there is a dearth of knowledge regarding children's liver disease and it is reflected in the dollars that are awarded by NIH to liver and biliary tract research.

A change in the classification from the federal level would encourage state and local governments as well as private insurance companies to re-evaluate existing policies. This in turn will inspire researchers and surgeons to advance in the field of pediatric liver and biliary tract disease.

SUBCOMMITTEE RECESS

Senator EAGLETON. The subcommittee will be in recess until 1:30 this afternoon.

[Whereupon, at 12:15 p.m., Tuesday, May 4, the subcommittee was recessed, to reconvene at 3:45 p.m., this same day.]

(Afternoon Session, 3:45 p.m., Tuesday, May 4, 1982)

NONDEPARTMENTAL WITNESSES

Senator Schmitt [presiding]. The afternoon's hearing will come to order. I apologize, not only on my behalf but on behalf of the full committee, but an unanticipated executive session on the Senate floor has forced us to delay the beginning of the hearing. Before moving to our first panel, we'll hear from Dr. Emmit Jennings, the president-elect of the American Association of Physicians and Surgeons. Dr. Jennings will present testimony on behalf of health care finance administration and health care-related issues. He has a plane to catch, as I understand it, and we'll take his testimony first.

Doctor, it's great to see you. I understand what it's like to have to fly back to New Mexico every once in a while. Please proceed. Our usual practice at this stage of the hearing is to have 5 minutes allocated and you may use that any way you wish, including allowing us to ask some questions.

STATEMENT OF EMMIT M. JENNINGS, M.D., PRESIDENT-ELECT, ASSOCIATION OF AMERICAN PHYSICIANS AND SURGEONS, INC.

Dr. Jennings. Mr. Chairman, I appreciate very much the opportunity to comment. As you mention, I am from New Mexico and president-elect of the American Association of Physicians and Surgeons and am past president of the New Mexico State Medical Society and also a former delegate from New Mexico to the American Medical Association.

I would like to testify about several of the programs that have been before the Congress in the past and are now up for consideration.

Three major examples that I would like to speak about particularly are the Health Maintenance Organization, the Health Planning Program, and Professional Standard Reviews.

It is our feeling that the phenomenal rise in the costs of medical service in recent years would be attributed primarily to the removal of restraints on demand and the appearance of third parties carrying the full costs.

Now, one of these programs is the Health Maintenance Organization, in which the Government has been trying to subsidize health maintenance organizations. To date, $340 million has been given to these organizations.

I'm personally aware from my internship and residency of HMO competing on a free market basis with the private practicing physician where I trained. About a 50/50 basis. And this was run without Federal subsidy. They were able to compete in the free market but without Government subsidy.

To me, the concept of free competition, enforced by law, is highly deceptive and a contradiction in terms.

In addition, there is the Certificate of Need Law, which has been proposed. Once again the present administration is proposing that this be phased out and I would agree with that completely. To me, the certificate of need has not performed what was originally intended.

My example of this would be that in Albuquerque a group of physicians want to build a surgery center so that the patients would have the option of day-in and day-out surgery. This was not allowed by the Health Planning Agency and, as a result, the patients still have to go into the hospital where the costs are more.

So I think that sometimes major organizations within a State can control these certificate of need groups and stifle competition rather than allow it.

Also, the PSRO, the Professional Standards Review Organization—I think that this is a program that has, certainly, not met its anticipated plan. And yet even though the Reagan administration has suggested a phaseout of this, I think Senator Durenberger is proposing in his bill S. 2142 to get this back into effect.

PSRO proponents claim that the program saves taxpayers money and insures patients quality care. This contention could not be further from the truth.

I am visiting with the administrators of the hospital in Roswell, N. Mex. They have stated that the PSRO people come in and inspect records. The State people come in and do the very same thing. It is a duplication of effort and at least in our area where we are short of nurses anyway, nurses have to come off of the floor to sit with these folks for 2 and 3 days at a time while the review goes on.

They have a designated review for physicians. In our area, a staff of 65 doctors, dentists, and M.D.'s are on the hospital staff. They took 6 doctors for designated review, some because they felt their patients were staying too long.

After 6 months they took everybody off because, yes, they were fitting the norms and found that one doctor stayed on designated review for an extra year and the only reason he stayed on for an extra year was because his patients were leaving the hospital too soon.

On the other hand, just from a personal experience I was told by the PSRO that my father, who had had a stroke, had to leave the hospital because he no longer qualified under the number of days. I transferred him from Tucumcari to Roswell, N. Mex., and 6 hours later he died. And this was because he was too well to stay in the hospital. Or he had exceeded his number of days.

These, I feel, are just programs that have not performed as they proposed and I would submit to you that these programs should be phased out.

Instead of spending time and taxpayers' money devising new ways to regulate medical care, I would suggest that we try a new approach. The

Federal Government should get out of medical care and let the free market provide the plan.

I appreciate the opportunity to testify.

QUESTIONS

Senator SCHMITT. Doctor, very quickly, what mechanism would you suggest would substitute for the intent of the PSRO program, assuming that it has not worked, as you suggest?

Dr. JENNINGS. I think that our physicians in our hospitals are very much aware of peer review, and there is a constant program going on where we review tissue, where we have mortality, morbidity studies—we review these things. There's one hospital, that I'll mention, in 1 year conducted a survey of the length of time that PSRO would allow patients to be in the hospital. The number of actual hospital days was 1,200 days less that year than PSRO would have allowed.

I think the doctors are aware of hospital costs and they try to get their patients out as quick as possible.

Senator SCHMITT. What about—you mentioned the health planning area. What, particularly as it relates to hospital and related facilities—does a small community do with one county operated, or municipal operated hospital when there is a proposal to establish a privately run hospital in that community where the load really is insufficient to support two hospitals?

Dr. JENNINGS. Once again, do we let the free marketplace decide whether or not this will function?

Senator SCHMITT. My only question is, is it really a free marketplace when the publicly operated hospital must take whoever comes in its doors, including the indigent? And, whereas a free market, or a private hospital facility presumably does not have to take in whoever comes to its doors.

Dr. JENNINGS. Senator, in that particular instance I can only relate to Roswell, N. Mex. We have two hospitals. One is a private hospital. One is a publicly owned hospital. And the amount of indigent care provided is more in the private hospital than it is in the public hospital.

Senator SCHMITT. Doctor, we'll probably move on. We'll have some questions to expand on these, but I know you have to get to a airplane anyway. I'm sorry we missed you last week. Your prepared statement will be entered into the record at this point.

Dr. JENNINGS. Me too, but a ruptured appendix interfered.

Senator SCHMITT. I hope it wasn't yours.

Dr. JENNINGS. No.

[The statement follows:]

STATEMENT OF DR. EMMIT M. JENNINGS

Mr. Chairman, my name is Emmit M. Jennings, and I am a practicing physician from Roswell, N.M. I am President-Elect of the Association of American Physicians and Surgeons (AAPS), a voluntary organization of private physicians from every state. The views I express today are those shared by the private medical practitioners who are AAPS members.

I thank you for the opportunity to comment before the committee.

Recently, Congress has been flooded with proposals to reauthorize health care regulatory programs that the Reagan Administration has attempted to phase out. If these reauthorization measures are passed, one thing that will certainly not result is an efficient health care system. Furthermore, we know from past experience, that such regulatory programs help to raise, not lower, the cost of medical care in America. And just as important, patients can look forward to a lower quality of care for the money they spend.

The programs of which I am speaking are too numerous to discuss in the time allotted, but three major examples will help illustrate my point: federal subsidies for HMOs, the health planning program, and Professional Standards Review Organizations. These programs were designed to control rising health care costs. They have not accomplished that objective.

What has been accomplished, however, is more federal control of the medical care market.

Skyrocketing costs in medical care are familiar to us all. Since 1965 when the Great Society program legislated the Medicare and Medicaid programs into existence, prices for medical care began to rise. Attempts to control spiraling health care costs through regulatory means became more and more popular in the Seventies.

The Nixon Administration created the Office of Health Maintenance Organizations in the Department of Health and Human Services to promote the HMO concept. This action was intended to introduce more competition in the marketplace and thereby bring down costs. Easy loans and technical assistance was extended to help HMOs get started. To date, $340 million-- and this figure does not include the costs of HMO promotion-- has been given to these organizations in grants and easy loans. Additionally, federal law requires that all employers with more than twenty-five employees who make a health benefit plan available to their employees give a dual option: If a federally certified HMO exists in the area, the employees must be given the option of receiving its services instead of a fee-for-service physician. Is this really competition, as we think of competition in a free market? I think not. The concept of free competition enforced by law is highly deceptive and a contradiction in terms.

If there were a great demand for such pre-paid plans, they would have been formed without governmental assistance. For this reason, I think the Reagan budget is on track with its phase out of the HMO subsidies.

The National Health Planning and Resources Act of 1974 required all states to adopt certificate-of-need (CON) laws by 1980. These laws require hospitals to obtain approval from government planning agencies before they make major capital expenditures on physical plant, equipment and services. The prevention of "overinvestment" in facilities, equipment and services was to hold down the cost of medical care. There is no evidence that these agencies have accomplished that task.

Moreover, not only have certificate-of-need laws not held down costs, they have stifled competition and increased costs. Studies show that when an established facility is refused permission to invest in a certain way, the money is usually spent on other things to entice patients. These agencies often fall under the control of large area hospitals and other established and influential facilities that have a strong economic encentive to keep potential competitors out of the local market. The price savings that could result from an increase in competition is too often stopped by a refusal on the part of the planning agency to issue a certificate to build a competing facility.

The end result of the health planning program is less consumer choice and more monopolistic control in the local market. The Reagan Administration is right on the money when they call for an end to the planning program.

The Social Security Act of 1972 created Professional Standard Review Organizations (PSRO). Prior to January 1, 1976, physicians were encouraged to voluntarily form PSROs in their area to monitor care provided to Medicare and Medicaid patients. Since the program usurped the local voluntary review programs already in place, physician response was hostile. Health Education and Welfare was given authority after that time to designate PSROs in areas where they were not voluntarily established. Now there is growing political pressure to extend the review function to all patients.

President Reagan has called for an end to the PSRO program. However, a bill introduced recently in the Senate, S.2142, "The Quality Control and Peer Review Improvement Act," would extend the PSRO program and make it mandatory in all fifty states and in any locality with 75,000 Title XVIII hospital admissions.

PSRO proponents claim that the program saves the taxpayers money and insures patients quality medical care. This contention could not be further from the truth.

The Congressional Budget Office has observed that, "PSRO has reduced Medicare outlays, but the federal government saves little more than the cost of the review itself... When the increased costs to private patients (resulting from the PSRO program) are taken into account, PSRO review saves society as a whole substantially less than it costs."

Any program that allows non-medically trained employees of the federal government to second guess the best judgment of physicians acting in the best interest of their patients, cannot claim to insure quality care. During hearings on the reauthorization of the PSRO program before the Senate Finance Health Subcommittee on April 1, the Chairman of the Subcommittee said, "There is a stated preference for physician-based peer review, but I guess we may have to emphasize the point that the threat of non-physician review may be necessary to get the physician to do a good job." No remote bureaucrat looking at a medical book of lists will be able to render judgment on the medical care a physician renders. True peer review, which was usurped by the PSRO program, allows peers in a voluntary situation to conduct the review.

PSRO is a waste of taxpayers' money, and S.2142, by enlarging the PSRO program so significantly, is another example of the federal government controlling more and more of the health care market.

The Reagan plan calls for no reauthorization of the PSRO program and this, I believe, is a step in the right direction.

Instead of spending time and the taxpayers' money devising new ways to regulate medical care, I suggest we try a new approach: The federal government should get out of medical care and let the free market provide the planning.

All of the programs I have mentioned- government subsidization of HMOs, health planning, PSRO- represent a disturbing creep toward the socialization of medical care in America. When these and other government regulatory programs have proved failures and a waste of taxpayers' money, advocates of these programs claim that what we need is more of the same! It should be obvious to anyone with experience in the medical care market that regulations have actually served to increase the cost of medical care, and at the same time have worked to restrict the freedoms of doctors and their patients to act in their mutual best interest.

A point that needs to be stressed is that private hospitals, medical practices, and clinics are businesses. When the federal government increases costs by increasing the regulatory burden, these businesses (like all others) must pass the increased costs along to the consumers. Thus, the American taxpayer who pays for his own medical care actually pays twice: First he pays for government regulatory programs through taxes, and then he pays for the increased costs resulting from these programs through higher health insurance premiums and out-of-pocket costs that he must bear for his own medical care.

Much of the savings that these programs bring about, are no savings at all.

When the federal government first began its move toward promising "free, unlimited medical care" for all Americans, the price of medical care began to rise. But rather than restrain its spending, the government instead chose to increase its level of subsidization. Today, when the federal government pays for 38% of all medical care in America and hospital rates are rising at twice the rate of other consumer prices, we still search for solutions form the very sector that created the problem- the federal medical planners and regulators.

There is a free market that can function effectively if we let it.

Our medical care system today is in severe market failure. In medical economic terms, market failure means that the physician or hospital who practices with a conservative, efficient style is penalized financially and professionally the more cost-effective he is. The reason that we have a Cadillac medical care system in this country is because we are punished if we do otherwise. The problem is not that we have bad hospitals or bad doctors. The problem is a bad system.

There is no mystery as to why expenditures are elevating so rapidly. We have no effective price mechanism because Medicaid, Medicare and private health insurance with first-dollar coverage insulate the patient from the cost. Only when physicians and hospitals compete for the patient's dollar is true competition present. Today, our hospitals and practitioners compete on a nonprice basis, which is cost-generating.

We need to quit promising all Americans "free, unlimited medical care." There is a cost, of course, and although demand is unlimited, supply is not. This promise cannot be fulfilled without bankrupting the entire system. We must do away with regulations that stifle competition and add to the compliance costs of providers.

We need to return to the principle of health insurance rather than full dollar payment. We need to establish again the various systems of deductibles so that the patient is involved again in the cost of his care.

In closing, I would like to remind the members of this committee that American medicine is still the best in the world in spite of and not because of governmental interference. I fear, as do many practitioners of private medicine, that the great increases we have seen in recent years in the federal government's outlays for medical care will be used by advocates of more regulation and national health programs as justification for what they wish to accomplish, namely, socialized medicine.

What can the public look forward to if we continue our creep toward socialization with such federal programs as PSRO and health planning? One thing the public should not expect is a more efficient health care system. They should also not expect prices to stop rising. And, perhaps most important, they should not expect the quality of medical care in America to improve.

In the area of medical care, the economic marketplace functions very differently than the political marketplace. And it is between these two that we must choose.

AGING, DENTAL RESEARCH, AND ENVIRONMENTAL HEALTH SCIENCE PANEL

STATEMENTS OF:

ELIAS S. COHEN, DIRECTOR OF PUBLIC POLICY AND INFORMATION DISSEMINATION, TEMPLE UNIVERSITY LONG TERM CARE GERONTOLOGY CENTER, CHAIRMAN, PUBLIC POLICY COMMITTEE, THE GERONTOLOGICAL SOCIETY OF AMERICA

THOMAS R. DIRKSEN, ASSOCIATE DEAN FOR BIOLOGICAL SCIENCES, MEDICAL COLLEGE OF GEORGIA SCHOOL OF DENTISTRY, ON BEHALF OF THE AMERICAN ASSOCIATION FOR DENTAL RESEARCH

BONIFACE L. WITTENBRINK, DEVELOPMENT DIRECTOR, RADIO INFORMATION SERVICE, ON BEHALF OF FRIENDS OF EYE RESEARCH

A. EDWARD MAUMENEE, PROFESSOR OF OPHTHALMOLOGY, WILMER OPHTHALMOLOGICAL INSTITUTE, JOHNS HOPKINS UNIVERSITY SCHOOL OF MEDICINE, ON BEHALF OF RESEARCH TO PREVENT BLINDNESS

ARTHUR UPTON, DIRECTOR, INSTITUTE OF ENVIRONMENTAL MEDICINE, NEW YORK UNIVERSITY, ON BEHALF OF THE ASSOCIATION OF UNIVERSITY ENVIRONMENTAL HEALTH CENTERS

Senator SCHMITT. On the main group of panelists we'll have a discussion of the National Institute of Aging, National Institute of Dental Research, Environmental Health Science. The subcommittee will hear testimony from the Gerontological Society, the American Society of Dental Research, Friends of Eye Research, Research to Prevent Blindness, and the Mental Health Center. Sylvia Rachlin, executive director of the Myopia Research Foundation, is scheduled to testify with this panel but was not able to attend due to an accident. Miss Rachlin has been a participant in the subcommittee's public witness hearings for a long time, and we hope everything is going well and she has a speedy recovery.

If the witnesses for this panel will provide us, as I believe you already have, with your prepared statements, they will be printed in their entirety in the record without objection and you may proceed according to the arrangement you made among yourselves. I assume this panel has a 5-minute allotted time per witness. So you have 25 minutes, I see. Is that correct? I have to check with my trusty staff man.

So if you would identify yourselves and the organization you represent, please proceed.

We'll give you a 5-minute check on each one.

STATEMENT OF ELIAS S. COHEN

Mr. COHEN. I'll start. My name is Elias Cohen. I'm here representing the Gerontological Society of America, for which I serve as chairman of the Public Policy Committee. The society is an organization of 6,000 researchers, educators, and professionals in the field of aging who reach through their journals and other publications about 11,000.

I am here to testify on the National Institute on Aging. And I find that I have to characterize this budget as a penny-a-day budget.

The amount that is provided for in the administration's proposal is approximately a penny a day for everybody 65 and over in the United

States, hardly a major investment—2 percent, I might add, of the National Institutes of Health's budget. A penny a day to try to unravel the mysteries of dementia in old age, to unravel the problems of cancer in old age, of osteoarthritis, of the diseases that cripple and incarcerate hundreds of thousands, indeed, something well over a million people tonight in America's nursing homes.

Senator SCHMITT. Doctor, very quickly, do you have an estimate of how much of the resources of the other institutes are applicable, directly or indirectly, to the problems of age?

Mr. COHEN. No, I do not. The National Institute on Aging, which is the youngest of the institutes, was set up to focus on a part of the population which is growing at a faster rate than any other segment of the population. And I would like to direct the attention of the committee to just one driving force that is going to drive the policy of the United States and is going to drive the budget of the United States, and that is the fact that between now and the end of the century, the population 80 and over is going to double.

That means, because we draw our population in nursing homes from that population, from that group, that instead of having 1.2 or 1.3 million in nursing homes in America, more beds than we have in the general hospitals, we are going to have double that number between now and the end of the century. If we don't find out something new about how we take care of people, about how we arrive at community services, about why people enter into morbid states, into illness states which require institutionalization—what that means is that we must construct and finance 1,000 beds every week, a net addition of 1,000 beds every week between now and the end of the century.

Now, in my prepared testimony, I pointed out if we could, through research, save but 5 percent, 5 percent of that increase that is inexorable—if we save 5 percent, the construction costs alone will be something like $1¼ billion, for saving 5 percent. In operational costs to the Government under medicaid, a 5-percent savings through research will save one-half billion dollars a day every single day between now and the end of the century.

If we are interested in saving money, there is no better investment that we can make but for research. And I think that there are compelling arguments, and that's only one.

In my testimony, I've cited some of the remarkable advances that are being made. And some of those are two-edged swords, because they will permit more people to enter into that 9th and 10th decade of life. And unless we begin to understand more about preventing morbid states, unless we begin to understand more about how we can make that shift from secondary care, from institutional care into primary care through the proper use of diagnosis, assessment, case management, and the whole host of other diseases, we are headed for—if you think that we face some budget-breakers up to now, we ain't seen nothing yet, if I can put it in vernacular terms.

Thank you.

Senator SCHMITT. Doctor, you have been reading my speeches. You are absolutely correct.

Mr. COHEN. What are you going to say to your constituents at the end of the century when you have all the seniority here in the Senate?

Senator SCHMITT. And I'll need all the benefit of all the research.

Mr. COHEN. That's right.

Senator SCHMITT. What you are saying is when people live as long as trees, we have a problem.

Senator SCHMITT. Dr. Dirksen, are you next on our panel?

STATEMENT OF THOMAS R. DIRKSEN

Dr. DIRKSEN. Thank you.

Mr. Chairman and members of the committee, my name is Dr. Thomas R. Dirksen. I am associate dean at the School of Dentistry, Medical College of Georgia, in Augusta, Ga. I am a dentist and a dental researcher. I am appearing today on behalf of the American Association for Dental Research (AADR), of which I am a member.

I appreciate having this opportunity to present testimony regarding the fiscal 1983 budget for NIDR and respectfully request that the full text of my testimony be included in the record.

The membership of the AADR consists of over 3,200 scientists from a variety of basic science and clinical disciplines located in universities, research institutes, hospitals, and industrial laboratories around the country. Our principal objective is to study the causes of the major diseases affecting the teeth and orofacial region, seeking ways to control or prevent these diseases. I am pleased to make the resources of the organization, which is headquartered here in Washington, available to members of Congress and their staffs.

A major problem in dealing with dental problems was stated most eloquently in the following quote by the Surgeon General of the United States in the foreword to his report Healthy Children—Children's Oral Health:

> Dental diseases frequently do not receive the attention they deserve, either from individuals or from health officials, legislators, health planners, or others concerned with improving the Nation's health status.

Most people in this country experience oral disease of some form from early childhood to death. In fact, dental diseases constitute, in the aggregate, the most prevalent health problem in the Nation. The monetary cost to society as a result of oral disease is high in terms of days lost from work, reduced productivity, and treatment costs. In 1981, it is estimated that out-of-pocket costs to individuals will exceed $16 billion for dental care alone.

With the high levels of periodontal disease, the number of babies born each year with facial deformities, and the high incidence of oral sores caused by herpes simplex virus, it is easy to see that there is a strong need for research that will contribute new knowledge to treating and preventing diseases of the mouth and face.

Dental research is directed at both the cure and prevention of oral problems, but prevention has always been the prime target.

Last year, it was reported that there were strong indications of the occurrence of a substantial reduction in tooth decay. That indication has now been confirmed by four separate studies from all around the Nation, reporting reductions of 32 to 50 percent in just the last 10 years among children and young adults. One of these studies is a large survey conducted by NIDR involving 40,000 children.

Without the benefit of dental research, it is estimated that the national dental-care bill for 1981 would have been $2 billion higher. This savings alone is more than double the money spent on all phases of dental research by the National Institute of Dental Research since its beginning in 1948.

It is not possible to predict the ultimate extent of this prevention of tooth decay, but expectations of 75 percent are considered realistic. Assuming that adequate funds are available, NIDR will be able to continue the epidemiological study of the drop in tooth decay.

Although we have not achieved the same level of success for periodontal disease, similar expectations exist for that area of research. For example, periodontal disease is a result of a bacterial infection. Thus, identification of the bacteria responsible, the specific agents causing tissue damage, and the immunological response all provide multiple modes for assaulting this most common and destructive disease. Extensive progress has been made in all these areas in the last few years, and some methods for control of periodontal disease are ready for testing in both animals and humans.

To date, facial deformities such as cleft lip and/or palate disorders have been a burden on many children and their parents, and dental research is contributing greatly to the repair of these defects by new and improved surgical techniques. Looking to the future, current research is providing indications for prevention of this particular birth defect by the development of tests to identify parents predisposed to this condition, identification of agents causing the condition, and finally through understanding the genetic factors.

In spite of preventive dental procedures developed, there will always exist a need for repair of the mouth and face due to trauma and diseases such as cancer. The functioning of the jaw is a delicate and complicated mechanism, but dental research is providing for better methods to restore and maintain function, as well as relieve the excruciating pain which frequently accompanies jaw joint disorders.

New biomaterials are being developed to rebuild facial features, as well as new plastic materials and alloys for rebuilding teeth. Ongoing research is also directed at replacing expensive and scarce metals such as gold and mercury.

The effects of other diseases on oral health—such as diabetes, cancer, and herpes simplex—are objects of dental research. These studies have contributed to the understanding of the relation of viral infection to initiation of diabetes and holds promise for prevention of this dread disease; the control of oral infection for cancer patients who suffer loss of their natural immunological protection; and maintaining oral function for persons irradiated in the head and neck region.

The investment made in the National Institute of Dental Research, which as you know is the smallest NIH institute, is paying off, as is evidenced by the substantial reduction in the prevalence of dental caries. However, it is necessary to maintain this momentum by supporting additional research directed toward eradicating this disease. We further believe that the dental research community can and will continue to make progress toward solving the multitudes of other oral diseases which confront our society.

We are fully aware of the difficult budgetary pressures facing this Congress, and it is with this in mind that we respectfully request the committee to provide a funding level of $88,700,000 for fiscal year 1983. This level will allow ongoing research to continue, and it will allow for a balanced investment in all of the elements of a successful dental research program—namely, basic research, applied and clinical research, training, and technology transfer. Unless all of these elements are funded in a balanced manner, we believe the taxpayer underwriting this enterprise will not reap the benefits of his investment.

Before we close, Mr. Chairman, we would like to call your attention to another NIH program that plays an important role in strengthening and enhancing the research environments of biomedical research institutions. We are referring to the Division of Research Resources. This division has established a distinct and nationally visible focus on resource sharing, has aided in the development of new resource technologies, and has built a means for greater private-sector collaboration concerning research resources. We hope that the committee will provide adequate funding for the Division of Research Resources so that expensive resources so essential to research will be available to researchers on a shared and collaborative basis.

Senator SCHMITT. Father Wittenbrink, would you proceed? By the way, I had an enjoyable encounter with your friends in Albuquerque last week.

STATEMENT OF FATHER BONIFACE L. WITTENBRINK

Father WITTENBRINK. Mr. Chairman, I am Father Boniface L. Wittenbrink, here to represent Friends of Eye Research, a nationwide public education organization.

I am considered the founder of Radio Information Service for the Blind and Handicapped at the National Shrine of our Lady of Snows, Belleville, Ill., hometown of Senator Al Dixon, and currently serve as president of IRIS Associates, a voluntary association of eight SCA radio reading stations serving the blind and handicapped in Illinois.

I'm also a board member of the Washington Workshops for Students.

Diseases of the eye affect all age groups—from the very young to the elderly. More than 11 million Americans are visually impaired, and a half-million are legally blind. Each year, visual disorders cost our Nation at least $10 billion.

Mr. Chairman and members of the committee, I am wearing on my lapel a large button purchased in Atlanta from the Wisconsin Association of the Blind which reads, "Take a closer look at blindness, it may open your eyes."

I have pondered that statement many times during the past 10 years, that I have been privileged to work as a volunteer with blind and handicapped people throughout the land. I have yet to meet one person given the choice who would rather not have the visual disability from which he/she suffers.

Please shut your eyes for a few moments and imagine you have never seen a sunrise or sunset; or the green grass; or the blue sky; or the smile on the face of a friend; or the printed page before you.

Now open your eyes. What a rich gift indeed is sight, and how grateful we should be.

We know that worldwide, according to United Nations estimates, there are in excess of 16 million blind people. What a blessing it would be to the entire world if we could help prevent blindness or at least decrease the incidence thereof.

Blind people in our society have been the beneficiaries of scientific advances and breakthroughs which until very recently would have been still in the laboratory stage. We have met people who have been helped by breakthroughs such as laser treatment for diabetes-related eye problems.

I understand that we are moving closer to some other advances that not only will prevent blindness, but will enable many low-vision people to see again.

We, friends of eye research across the United States, are concerned that steady progress on these still developing clinical research projects will have to be slowed considerably, if the administration proposal for the 1983 National Eye Institute budget is accepted as is.

The $131.5 million recommendation not only would not keep pace with inflation, but would emasculate the 5-year plan which the Eye Institute has been using as its blueprint for eye research in this country. That plan is newly revised and should be available to every member of Congress in the very near future.

It is a plan that States where eye research must direct its efforts from 1983–87. It is the product of work by large numbers of scientists who represent the best thinking of the eye research community as a whole, and it will allow the National Eye Institute to use its money in a highly effective and economical manner.

Mr. Chairman and members of the committee, in order for the National Eye Institute to maintain its momentum and its battle against blindness, a budget of $191 million for fiscal 1983 is needed.

This funding level would, among other things, permit expansion of research on new aids and techniques to help those who have at least some partial sight—and there are a growing number of such people because of lengthened life expectancy.

Mr. Chairman, as a member of Rotary International deeply concerned with handicapped people worldwide, I want to share the four-way test which we apply to the many projects we support: One, is it the truth; two, is it fair to all concerned; three, will it build good will and better friendships; and four, will it be beneficial to all concerned.

The wisdom of the ages confirm that an ounce of prevention is better than a pound of cure. I believe in this principle and I am sure that the Congress of the United States does likewise.

May our generation of Americans do all it can to prevent blindness here and around the world.

This committee, in particular, Mr. Chairman, and the Congress as a whole is to be congratulated for what it already has done to enhance progress in the field of eye research, and for bringing hope to millions of our citizens.

I sincerely and urgently appeal to you for support of a $191 million budget for eye research and treatment in fiscal 1983.

The eyes you save might be your own.

Mr. Chairman, that concludes my remarks and I will be happy to answer any questions.

Senator SCHMITT. Thank you, Father.

QUESTIONS

Do you agree with the estimate that the direct cost of blindness to the economy on an annual basis is between $7 billion and $8 billion?

Father WITTENBRINK. I would agree to that because what I have had to go through in the last year myself personally and knowing people, I would agree with those figures.

Senator SCHMITT. Do you also agree that that does not include a variety of indirect costs that must be incurred by social agencies and the Government itself? As a result of blindness?

Father WITTENBRINK. Right, and it does not include all the charities that are given as a result of blindness.

Senator SCHMITT. To what degrees do the Friends of Eye Research estimate that our improvements in neonatal care of premature babies have had the indirect, and adverse consequence of increasing the problems with blindness, particularly as a result of oxygen therapy of the premature fetus?

Father WITTENBRINK. Well, I know we have one great ophthalmologist down your way, Theodore Subject, whose brother is an ophthalmologist and is my own eye doctor; and he is attributed in my area with having saved 10,000 infants in my area over the last 30 years, because of what he did 30 years ago.

Senator SCHMITT. It's difficult when you are trying to save the life of a premature child when it potentially damages the eye. But on the other hand, some new techniques are coming into being that, as I understand it, will apparently, in at least 30 percent of those cases, prevent blindness as a consequence.

Is that——

Father WITTENBRINK. I'm not a doctor. I would rather not comment, Mr. Chairman.

Senator SCHMITT. I thought you had heard, but we'll get some estimates.

Our next witness is Dr. Edward Maumenee, with the Johns Hopkins University School of Medicine.

STATEMENT OF A. EDWARD MAUMENEE

Dr. MAUMENEE. Chairman Schmitt, I'm Ed Maumenee, professor of ophthalmology of the Wilmer Institute of the Johns Hopkins Hospital.

To answer your question, the primary cause of blindness in premature children is the use of oxygen. And there are methods now of regulating the blood oxygen level that greatly reduces the incidence of it. There are some studies that suggest that vitamin E may reduce—the use of vitamin E may reduce this even further, but we don't know the full toxic effects of vitamin E.

Mr. Chairman, the National Eye Institute was one of the first institutes in the National Institute of Health to prepare 5-year plans. This is a copy of the second. The third plan, third 5-year plan will be out this month.

In the past, we have pretty much followed the budget they suggested. Some 250 prominent scientists and administrators have suggested for 1983 that our budget should be $191.2 million for the National Institute.

Knowing the budgetary restraints and approving this, and hoping that you will bring the economy under control, the citizens——

Senator SCHMITT. If they listen to me, they will, but they haven't started to listen to me on it.

Dr. MAUMENEE. The citizens' groups have suggested $163.1 million, or a reduction of $28.1 million. The table in the back of my testimony, sir, lists the various places that would be sent.

I would like to just point out to you a few things that you've contributed to, Chairman Schmitt, in supporting research in the Eye Institute.

For a number of years now, I have been discussing the question of diabetes and the fact that the abnormal breakdown of blood sugar was the cause of sugar cataracts; Dr. Kinoshita at the National Eye Institute has shown now that there's an aldose reductase inhibitor, sorbitol, that totally blocks diabetic cataracts in experimental animals.

Also, this has been shown to reverse the motors conduction in diabetic neuropathy, and we are hopeful that this might work on vascular diseases, diabetes, which is the main problem in diabetes. So it's a very exciting breakthrough from eye research that we've gone into general medicine.

Senator SCHMITT. Doctor, if I could interrupt. Has there been any determination of the potential adverse effects that result from the treatment of diabetes, either through the use of animal—nonhuman insulin or through the method of delivery of insulin?

Dr. MAUMENEE. There's a lot of theoretical evidence. I could spend one-half hour talking about it. The insulin pumps certainly deliver insulin much more like your normal pancreas would.

Senator SCHMITT. And DNA will eventually provide low-cost human insulin. But there's many advances independent of or in relation to blindness, but I'm curious if the diabetic relationship to blindness—does it appear to be ready to either one or both of those particular problems of current treatment of diabetes?

Dr. MAUMENEE. As I mentioned, there are people who feel that the insulin pump, since it gives out insulin the way your normal pancreas does, is the proper way of giving it.

But then you don't get a high buildup of sugar, that then allows the aldose reductase system to come into work, which makes the abnormal deposits on your blood vessels and causing that.

There was a suggestion that animal insulin caused an allergic reaction. That's wrong.

Senator SCHMITT. It would be your feeling based on current evidence, no commitment necessary, but your feeling based on current evidence, that the delivery mechanism relative to the prevention of blindness related to diabetes is probably the most important aspect of current technological problems?

Dr. MAUMENEE. That plus the use of aldose reductase inhibitor, because that will block this type of abnormal breakdown of blood sugar.

Senator SCHMITT. Please proceed.

Dr. MAUMENEE. I just heard the dental expert testify about herpes. I might want to point out that the ophthalmologists for the first used IDU to show that, in dendritic keratitis, showed that the herpes virus could be cured topically, and that has also been applied to viral encephalitis in the use of viral A.

A very exciting use of the eye is in the looking for an angiogenesis factor.

Judith Volkman, a pediatric surgeon, thought that maybe the reason why tumors metastasize is because they became vascularized, little bits of tumor cells. And there must be something in the cells that attacked the blood vessels.

So she put a piece of tumor cell in the cornea which is avascular. The tumor didn't grow but the blood vessels exploded and metastasized.

We have, at the institute, a young man working on this. And the most potent angiogenesis factor in the body is in the retina, and that's probably one of the things that causes diabetic retinopathy and perforation.

They have come down almost to the point of isolating this factor. They know it's molecular weight is around 70,000.

Weisel has just won the Nobel prize because the eye is an outpouching of the brain and by using the eye, the retina of the eye, to do studies, they were able to make very important discoveries about the organization and function of the brain.

And for that, they received the Nobel prize. You supported that through eye research.

At the present time, we know that retinal blastomas, which is a malignant tumor in children, is caused by an abnormality of chromosome 13, the long arm, the Q–14 factor. Now, this—the study is going on, and this is hypothetical and something for the future, but since we know the gene and where it's located, you can use DNA recombination to see if we can affect these cells and for the first time, reverse that type of cancer.

These are just some of the general problems that we are working on in ophthalmology that have general medical factors.

I might tell you that I was just in Cartagena, Colombia last Friday, and Orbis was there, the plane. This is a very sophisticated plane that you can do any kind of eye operation on.

That plane is going around to every country, developed and undeveloped, and it's amazing how the health ministers and the people in charge of government see what can be done with sophisticated eye instrumentation now, and are supplying that material to their local ophthalmologists.

And what good will this is from the United States to have this plane there, showing that we are trying to teach the rest of the world the very sophisticated level of ophthalmology that we are practicing here today.

Senator SCHMITT. That's a tremendous resource, that and other related activities, for our foreign policy, and we are totally underutilizing it.

I couldn't agree with you more. Is that it, doctor?

Dr. MAUMENEE. Yes.

Senator SCHMITT. Thank you. Our next witness is Dr. Upton, the Institute of Environmental Medicine, New York University.

STATEMENT OF ARTHUR UPTON

Dr. UPTON. Thank you, Mr. Chairman. My name is Arthur C. Upton. I am professor of environmental medicine and director of the Institute of Environmental Medicine, at the New York University Medical Center. Before taking my present position, in January 1980, I was director of the National Cancer Institute. Since graduating from medical school in 1946, I have been concerned more or less continuously, in one way or another, with the role of the environment in health and disease.

I am here today to speak on behalf of the Association of University Centers of Environmental Health. This is an organization of the nine centers for education and research in environmental health sciences which operate in various U.S. universities, with core support from the National Institute of Environmental Health Sciences (NIEHS). I would also like to add my own voice to the testimony of others who have emphasized the need to sustain a vigorous and effective national effort in the environmental health sciences.

The needs of today can best be appreciated if viewed in historical perspective. The enormous gains in health and well-being during the past century have transformed the life expectancy of Americans. Infections, which used to be the major causes of death, have all but disappeared and have been replaced by degenerative diseases, cancer, and congenital disorders. While the causes of these diseases are still poorly understood, recent advances point increasingly toward the causal importance of social, cultural, dietary, occupational, and other environmental factors. In short, the major diseases of today are now thought in large measure from influences under human control. Noteworthy examples are the health effects of cigarette smoking, which claim more than 300,000 lives annually in the U.S. through heart disease, lung disease, and cancer. Collectively, these impacts make cigarette smoking the leading known cause of death in the United States today. It is not clear how many additional deaths could also in principle be prevented, if their external causes were identified and ultimately controlled, but it has been estimated that the majority of cancers would fall into this category.

It is extremely important from the standpoint of preventive medicine to pursue as vigorously as possible all promising research leads into the extrinsic, or environmental, causes of disease. This type of research, by its nature, requires a broad spectrum of disciplines and approaches. Identification of the various influences and their mechanisms of action requires the coordinated application of environmental, epidemiological, clinical, and experimental approaches. The capability for such a multidisciplinary research strategy, which has been systematically fostered through the national program in environmental health sciences, is still in a formative stage of development. Its further development is essential for effective efforts to reduce the burden of illness in the population today and to prevent avoidable suffering in the future.

While we have come to recognize the importance of external factors in the causation of disease, and thus to strive for measures to protect against them, our knowledge is not yet adequate in most instances to enable precise assessment of the health impacts of a given agent. Consequently, current regulatory efforts are often fraught with uncertainty, controversy, and potential error. We can ill afford either to over-regulate or to under-regulate. Hence, it is crucial to improve our capability for risk assessment as rapidly as scientific progress can enable us to do so.

It is in the context of these needs and opportunities that I would like to speak on behalf of the NIEHS budget. While the total fiscal year 1983 budget provides for an increase of about 2 percent in current dollars, the purchasing power of the budget can be expected actually to decrease appreciably. The impact of the decrease would fall heavily on scientists who depend on NIEHS to support their research, since the number whose competitive research proposals can be funded is expected to shrink by some 20 percent. Because the budget is now so tight that only the most meritorious grant applications are supported, some of the country's ablest investigators and some of its most promising research leads would go unfunded in fiscal year 1983 with the result that the field depends more heavily than ever before on funding by NIEHS. The projected reductions in numbers of competitive research awards to be funded by NIEHS in fiscal year 1983 would, I am confident, terminate the research activities of some investigators who are now highly productive, and it would discourage many promising younger scientists from entering the field. To contemplate such an impact at a time when expanded research in the field is urgently needed is highly distressing—doubly so, when it could be avoided by a relatively small increment in the NIEHS budget; that is, less than $2 million. For this reason, I would strongly recommend that the budget be increased sufficiently to sustain the number of research grants at its current level.

Another concern I have relates to reduction in support for training. This reduction will decrease the total number of funded traineeships by about one-third in fiscal year 1983. The Nation's supply of manpower cannot be turned on and off like a faucet. We knew this in World War II. This projected decrease is undoubtedly going to derail the career plans of many promising young people whose talents are needed in the field.

A third concern I would like to mention relates to the budget for intramural research at NIEHS. The projected budget allows for no increase in staff to take advantage of the institute's new laboratory facilities which are now nearing completion. To meet the needs for which these long-awaited facilities were constructed, and to enable NIEHS to continue its leadership in important and rapidly emerging areas in comparative toxicology, molecular genetics, and risk assessment, some orderly expansion of its professional staff is called for. Hence, there should be at least a modest 1-percent increase in the budget for intramural personnel.

In summary, I would like to express my appreciation for the privilege of testifying today. In my opinion, the people of the United States are fortunate in having a strong and effective national program in environmental health sciences, the importance of which is not fully reflected in its budget for fiscal year 1983. While the budget suffices, in most respects, to sustain the program at its current level, the projected funds for competing research grants and training grants are insufficient to avert substantial cuts in these activities. To prevent the resulting impacts on urgently needed progress in the field, I would recommend the modest increments in the budget that would restore these programs to their current activity levels. In addition, I would recommend a small increase in the budget for the intramural staff of the institute, to enable it to make optimal use of its newly constructed facilities and to maintain its leadership in important areas emerging within its purview.

QUESTIONS

Senator SCHMITT. Doctor, one question, in the institute in which you are interested, do you believe that a matching fund program in training and research could leverage any additional private sector dollars?

Dr. UPTON. This is happening constantly in our institute and in others. I believe that is an important mechanism through which training funds bear added fruit.

Senator SCHMITT. Do you think additional emphasis in that area by the Federal Government, matching funds, would provide more total dollars?

Dr. UPTON. I think undoubtedly, more total dollars would come that way.

Senator SCHMITT. Dr. Dirksen, do you have a feeling on that, sir?

Dr. DIRKSEN. We have not been all that successful in generating new outside money in the last few years. To any appreciable extent. I haven't given any thought to matching-type funds.

Senator SCHMITT. Would you—and if you have any additional comments, would you supply them for me?

Dr. DIRKSEN. I would be happy to.

Senator SCHMITT. Dr. Maumenee, what is your feeling, about matching funds, Federal dollars being designated as matching funds in training and research in order to leverage additional private sector contributions?

Dr. MAUMENEE. Well, I don't have the exact figures in hand, but the Federal funds so far outweigh private funds, so that I don't think we could do this unless you had a matching fund, 1-to-5 or some smaller ratio.

Senator SCHMITT. You don't think by making some of the Federal dollars dependent on private match, that we could provide an added incentive for private contributions and the seeking out of those contributions?

Dr. MAUMENEE. We try so hard. We are just putting up an $8 million new building at the institute on strictly private money. And we try so hard to get private money, I would doubt that forcing it would be actual matching funds—I think you would cut out a lot of smaller institutions that are getting money now that are doing very good research that just couldn't get matching funds. I think you are going to have to word that very carefully, or you're going to hurt a lot of good research work.

Senator SCHMITT. Thank you, sir. We may go to you for some additional questions. Sorry, our time does not permit digging into a couple of other issues, but we'll do that for the record. Your prepared statements will be inserted in the record at this point. Thank you.

[The statements follow:]

STATEMENT OF ARTHUR C. UPTON

My name is Arthur C. Upton. I am Professor of Environmental Medicine, and Director of the Institute of Environmental Medicine, at the New York University Medical Center. Before taking my present position, in January 1980, I was Director of the National Cancer Institute. Since graduating from medical school, in 1946, I have been concerned more or less continuously, in one way or another, with the role of the environment in health and disease.

I am here today to speak on behalf of the Association of University Centers of Environmental Health. This is an organization of the nine Centers for education and research in environmental health sciences, which operate in various U.S. universities, with core support from the National Institute of Environmental Health Sciences (NIEHS). I would also like to add my own voice to the testimony of others who have emphasized the need to sustain a vigorous and effective national effort in the environmental health sciences.

The needs of today can best be appreciated if viewed in historical perspective. The enormous gains in health and well-being during the past century have transformed the life-expectancy of Americans. Infections, which used to be the major causes of death, have all but disappeared and have been replaced by degenerative disease , cancer, and congenital disorders. While the causes of these diseases are still poorly understood, recent advances point increasingly toward the causal importance of social, cultural, dietary, occupational, and other environmental factors. In short, the major diseases of today are now thought to result in large measure from influences under human control. Noteworthy examples are the health effects of cigarette smoking, which claim more than 300,000 lives annually in the U.S. through heart disease, lung disease, and cancer. Collectively, these impacts make cigarette smoking the leading known cause of death in the U.S. today. It is not clear how many additional deaths could also in principle be prevented, if their external causes were identified and ultimately controlled, but it has been estimated that the majority of cancers would fall into this category.

It is extremely important from the standpoint of preventive medicine to pursue as vigorously as possible all promising research leads into the extrinsic, or environmental, causes of disease. This type of research, by its nature, requires a broad spectrum of disciplines and approaches. In many instances, moreover, the causation of disease results from complex interactions of contributing factors operating over years or decades, often involving chronic, low-level exposure to one or more causal influences. Hence, identification of the various influences and their mechanisms of action requires the coordinated application of environmental, epidemiological, clinical, and experimental approaches. The capability for such a multidisciplinary research strategy, which has been systematically fostered though the national program in environmental health sciences, is still in a formative stage of development. Its further development is essential for effective efforts to reduce the burden of illness in the population today and to prevent avoidable suffering in the future.

While we have come to recognize the potentially large importance of external factors in the causation of disease, and thus to strive for measures to protect against them, our knowledge is not yet adequate in most instances to enable precise assessment of the health impacts of a given agent. Consequently, current regulatory efforts are often fraught with uncertainty, controversy, and potential error. We can ill afford either to over-regulate or to under-regulate. Hence, it is crucial to improve our understanding of comparative risk assessment as rapidly as scientific progress can enable us to do so.

In the context of these needs and opportunities, I would like to speak on behalf of the NIEHS budget. While the total FY '83 budget provides for an increase of about 2 per cent in current dollars, the purchasing power of the budget can be expected actually to decrease appreciably. The impact of the decrease would fall heavily on scientists who depend on NIEHS to support their research, since the number whose competitive research proposals can be funded is expected to shrink by some 20 per cent. Because the budget is now so tight that only the most meritorious grant applications are supported, some of the country's ablest investigators and some of its most promising research leads would go unfunded in FY '83. The ultimate impact that such a reduction might have on scientific progress cannot be foretold with confidence; however, I can predict unhesitantly that its immediate impact will be more disruptive than might be apparent. Support for environmental health research has already been curtailed drastically by deep cuts in the related programs of other agencies (e.g., DOE and EPA), with the result that the field depends more heavily than ever before on funding by NIEHS. The projected reductions in numbers of competitive research awards to be funded by NIEHS in FY '83 would, I am confident, terminate the research activities of some investigators who are now highly productive, and it would discourage many promising younger scientists from entering the field. To contemplate such an impact at a time when expanded research in the field is urgently needed is highly distressing--doubly so, when it could be avoided by a relatively small increment in the NIEHS budget; i.e., less than $2 million. For this reason, I would strongly recommend that the budget be increased sufficiently to sustain the number of research grants at its current level.

A related concern I have about the projected budget is its sharp reduction in support for training. This reduction will decrease the total number of funded traineeships by about one-third in FY '83. Such a sudden and precipitous drop would derail the plans and careers of many young scientists, whose creative contributions to the field are urgently needed. In the face of long-standing and growing shortages of manpower in toxicology, epidemiology, and related disciplines, the projected cuts are ill-timed and will snuff out training programs which are just now beginning to bear much-needed fruit. As was wisely recognized during World-War II, the nation's supply of trained personnel cannot be turned on and off like a faucet. The ultimate cost to the nation's health establishment, industrial capability, and regulatory competence is likely to exceed by far the $1.5 million reduction in training funds which is projected. For this reason, I would strongly urge that sufficient funds be restored to the training budget to maintain it at its current level.

A third concern I would like to mention relates to the budget for intramural research at NIEHS. The projected budget allows for no increase in staff to take advantage of the Institute's new laboratory facilities which are now nearing completion. To meet the needs for which these long-awaited facilities were constructed, and to enable NIEHS to continue its leadership in important and rapidly emerging areas in comparative toxicology, molecular genetics, and risk assessment, some orderly expansion of its professional staff is called for. Hence there should be at least a modest (1%) increase in the budget for personnel.

In summary, I would like to express my appreciation for the priviledge of testifying today. In my opinion, the people of the U.S. are fortunate in having a strong and effective national program in environmental health sciences, the importance of which is not fully reflected in its budget for FY '83. While the budget suffices, in most respects, to sustain the program at its current level, the projected funds for competing research grants and training grants are insufficient to avert substantial cuts in these activities. To prevent the resulting impacts on urgently needed progress in the field, I would recommend the modest increments in the budget that would restore these programs to their current activity levels. In addition, I would recommend a small increase in the budget for the intramural staff of the Institute, to enable it to make optimal use of its newly constructed facilities and to maintain its leadership in important areas emerging within its purview.

The following are a number of problem areas in environmental health in which urgent needs will go unmet in Fiscal Year 1983 unless additional funds for research project grants (RO1's) are included in the budget for the National Institute of Environmental Health Sciences (NIEHS) --

1. Studies of the effects of PBB's on human health;
2. Biological effects resulting from chemical interactions among the many substances that are present in various combinations in toxic waste dumps;
3. Immunotoxicology of environmental agents;
4. Development of diagnostic technology for assessing risks in populations exposed to hazardous chemicals such as toxic waste dumps; and
5. Development of alternative methods for cancer bioassays.

An additional $1.5 million would provide urgently needed support for several projects in each of these important problem areas.

STATEMENT OF ELIAS S. COHEN

My name is Elias S. Cohen and I am the Director of Public Policy and Information Dissemination of the Long Term Care Gerontology Center of Temple University in Philadelphia. I am also Humanist-in-Residence at WITF-TV, a public television station in Hershey, Pennsylvania. I am representing The Gerontological Society of America for which I serve as Chairman of the Public Policy Committee. My testimony is presented on behalf of The Gerontological Society of America and concerns fiscal year 1983 appropriations for the National Institute on Aging.

The Gerontological Society of America is the national scientific organization for researchers, educators, and professionals in the field of aging. Founded in 1945 and now serving nearly 6,000 members, the Society is concerned with the development and application of knowledge in all aspects of aging.

While I am representing the Society I want to point out that I bring to this testimony the perspective of one who has served in clinical and administrative settings. I have worked on the back wards of an 8,000-bed mental hospital (before thorazine) 30% of whose patients were over 65. And I have served in the past as Pennsylvania's Commissioner on Aging and Commissioner of Family Services from well before the creation of the National Institute on Aging, the Administration on Aging, or the Health Care Financing Administration. Finally, I have spent the last few years representing the elderly in court and before legislative bodies.

The fiscal 1983 proposed budget for N.I.A. is, more precisely than poetically, a penny foolish budget. The amounts proposed by the President —$84.3 million is almost exactly a penny per day for everyone 65 and over in the United States. The President has proposed a budget of a penny per day to unravel the problems of the most wide spread, unseen plague in America —mental impairment and senile dementia of old age. The President has proposed a penny per day to unravel the mysteries of the cell which can tell us why cancer is a disease of old age. The President has proposed a penny per day to undertake the research that may keep millions of people in the future in their communities and out of nursing homes. The President has proposed a penny per day to probe the secrets of bone structure and bone formation in the elderly that might give us clues to avoid the often death-dealing hip fractures and immobilizing effects of osteoporosis and osteoarthritis. It isn't as though the budget proposes a penny per day for each of these, but rather a penny per day for all of these and, indeed, for the training of physicians researchers, psychologists, social workers, and nurses as well as a host of other auxillary professions to alleviate the plight of America's elderly most affected by the disabling effects of the plagues and insults of old age.

The President's budget request for fiscal year 1983 brings research and education monies to a standstill. The President's budget request not only threatens our ability to meet the rapidly increasing needs of the elderly but will surely guarantee, as I will point out below, a crushing fiscal burden for the care of infirm elderly in nursing homes throughout the country. If there is one thing that America's elderly fear it is the fear of ending their days in a nursing home. At the moment there are essentially two choices: (1) to continue to pour money into paying for the incarceration of America's elderly or (2) to learn more about the mechanisms of aging so that some amelioration and intervention can take place that will enable us to avoid extraordinarily costly institutional care and replace it where necessary with other interventions.

While the proposed 1983 budget would hold aging research at approximately fiscal year 1982 funding levels, these figures mask the significant erosion by inflation and the massive cuts absorbed last year. During the period 1981-1983 the four major funding sources for aging research --The National Institute on Aging, The Administration on Aging, The National Institute of Mental Health and Health Care Financing Administration-- experienced a 25% reduction in funds.

The effect of the proposed budget on education and training is even more damaging. Monies in this area would be greatly reduced or eliminated under the President's budget as the Administration moves to phase out Federal responsibility in this area. The training of professionals in the field of aging would be further affected by the cuts in general education support both to students and to institutions.

The needs of the elderly will not come to a standstill because of Federal cutbacks. Without adequate funding for research, education and training, we will soon be faced with very expensive, low quality programs, ill-administered and poorly staffed services, untrained personnel and planning and administration which will be driven solely by the numbers, bereft of knowledge and information.

The National Institute on Aging is a relatively recent creation of the Congress. It was authorized in 1974 under the Research and Training Act. It was established for the conduct and support of social, behavioral and bio-medical research and training related to the aging process and diseases and other special problems of the needs of the aging. The National Institute on Aging is the smallest of the eleven institutes of the national institutes of health.

Despite the fact that health care of the elderly accounts for nearly 30% of the total health care expenditures of the U.S. population (while the elderly constitute only 11% of the total population) the budget of the National Institute on Aging comprises less than 2% of the total N.I.H. budget. This Committee is well aware of the spiraling cost of health care, both absolutely and as a percentage of the gross national product. One dollar in ten of the gross national product is now devoted to health care. Thirty-percent of that is consumed in behalf of the elderly. There is nothing on the horizon to suggest any change in those proportions. Indeed, everything on the horizon suggests exactly the opposite.

Over the next twenty years the population 80 and over is expected to double. Nursing homes draw their population from those who are 80 and over. The average length of stay in a nursing home is approximately three years.

Approximately 50% of those entering nursing homes today are financed through Medicaid. As the cost of nursing home care increases that proportion is not likely to go down despite improvements which may arise in the incomes of the very old. What does this mean for federal budgeting? First, it means that between now and the end of the century, unless there are significant changes in the patterns of care, i.e. the distribution of those who go into nursing homes, as opposed to those who receive care in the community, it will be necessary to increase the stock of nursing home beds by something over 1 million beds. At the present time we have more nursing home beds in America than general hospital beds. If we simply want to stay even with where we are, beginning now we must arrange for a net addition of 1,000 nursing home beds _each week_ between now and the end of the century. We submit that no sound business operation would cut back on its research and development if it were confronted with the prospect of doubling its capital assets and more than doubling its operational cost when research might produce effective ways of producing the ultimate result.

Assume that research findings would, over the next twenty years, have no more than a 5% impact on the incidences of incarceration in nursing homes. This would mean that instead of having to build a net addition of a million beds to supplement the 1 million already in existence we would only have to build 950,000. Forget for a moment that this improvement would have any impact on the existing million beds we have. In 1982 dollars it takes approximately $25,000 to build a skilled nursing facility bed. Savings of 50,000 beds would represent over this period of time a savings of $1.25 billion. In addition, we might further assume that very conservatively speaking the cost of nursing home care is $45.00 per patient per day. On the average across the span of the next 18-20 years the savings of 50,000 beds would represent an average savings of 25,000 beds for that period of time. The total reduction in expenditures for nursing home care, using those conservative estimates is $1.125 million _per day_. Since _half_ of that represents expenditures through Medicaid, the savings we can anticipate to Medicaid alone are in excess of a half million dollars a day every single day between now and the end of the century. These are not savings calculated on finding a cure for cancer, or a cure for Alzheimer's disease, or a cure for osteoporosis or osteoarthritis. These are not savings calculated on unlocking the secrets of the immune response system or on any great leap across the barriers of ignorance. These are the savings that are calculated on the most modest kind of impact on long term care and the incidence of nursing home care.

Obviously, a penny foolish budget cannot do the task.

Research already undertaken by N.I.A. and others has disclosed the principal reasons behind long term care incarceration: the presenting reasons in the vast majority of cases are incontinence, dementia, and/or loss of ambulation.

N.I.A. funded research in these areas is at its very beginnings. Individual research projects are pointing the way. For example, the Geriatric Continence Clinic located at the Baltimore city hospitals is exploring biofeedback and habit training for incontinent patients and is also providing some insights into the diagnosis and management of incontinence, both of which can lead to significant amelioration of incontinence and in some cases, its complete elimination. A successful attack on incontinence, once we understand the mechanisms and forms of intervention, can eliminate or certainly delay significantly the entry of elderly people into nursing homes.

Mental impairment and dementia in old age —the unseen plague that afflicts as many as 3 million older Americans in varying degrees --is just now beginning to be understood. In my own home city of Philadelphia at the Philadelphia Geriatric Center, N.I.A. research has identified 15 variables which must be explored for the making of a differential diagnosis of mental impairment in the elderly. Mental impairment among the elderly we now know may derive from different causes --malnutrition, adverse synergistic effects of drugs, environmental causes, ingestion of certain noxious airborne chemicals, as well as mechanical and biochemical changes in the brain and cardiovascular system. At the Albert Einstein College of Medicine in New York City investigators are comparing healthy and senile brains to learn more about Alzheimer's disease with particular reference to the way in which the cholinergic system affects brain functioning. At the University of Vermont National Institute of Environmental Health Sciences, investigators are exploring the effect of aluminum concentrations in the hypocampus in an effort to understand more about senile dementia in Alzheimer's disease. And in Seattle, N.I.A. sponsored investigators are exploring through a community survey the incidence of Alzheimer's disease outside of institutions, and have already made some startling disclosures which may suggest genetic issues in the relationship of Downe's syndrone to Alzheimer's disease.

It is part of the conventional wisdom that broken hips are one of the great scourges of old age. In Seattle at the Fred Hutchinson Cancer Research Center, N.I.A. sponsored investigators are exploring the relationship of estrogen supplements to the risks of fracture among the elderly and at Case Western Reserve animal studies have begun to disclose the effect on joint damage of Tamoxifen, an anticancer drug. Learning more about how we can reduce the risk of fracture and how we can reduce osteoarthritis can lead to reduced institutionalization. At my own institution, Temple University, the National Institute on Aging is sponsoring basic biochemical research which may impinge on biological studies in a major way since they are exploring in a developmental biology framework the notion that what develops at the cellular level early in life is what affects later life development. More importantly, however, there are studies underway which explore the lifespan extending effect of a naturally occuring hormone, dehydroepyoandrosterone (DHEA) on the extension of the lifespan. This hormone, first identified as having anti-cancer effects, has been subsequently identified as having anti-obesity and anti-aging effects as well, at least in the early animal studies. There is no question, at least at this stage of the research, that it enhances the quality and the length of life in those animals which have been tested. The research explores the underlying mechanisms and the impact and value of this hormone manufactured in the adrenal glands. Finally, I should mention training programs underwritten by the National Institute on Aging for post-doctoral investigators trained as physicians or scientists. In Philadelphia, training programs have been financed to enable post-doctoral students to learn about research in the nine laboratories located in the Philadelphia area and which are currently spending over $5 million in National Institute of Health funds. This is, if you will, a "kicker" for maximizing what is going on in those laboratories for the benefit of research and training.

Despite the clear need for more information and the exciting promise of payoffs in the future, not to mention the efficiency and effectiveness of investments in research development and training, the National Institute on Aging finds itself in the position of being able to support fewer research projects each year. In 1981, N.I.A. supported 411 research projects. In the proposed budget this number would drop to 381. Of those, 266 would be continuing projects, further reducing the number of grants open to competition. In 1983, N.I.A. is expected to fund less than 15% of the projects deemed suitable and appropriate for research, this in comparison to a 27% approval rate in 1982.

These cutbacks in geriatric research come at a time when major advancements are being made. If we are to avoid the horrendous cost and the inhumane burdens of chronic disease, it will be by better understanding the factors that produce disease and the factors that extend healthy life. Better understanding is required of all of the factors affecting health and which cause almost 1 in 4 of those who survive to 80 to end their days in a nursing home.

With regard to geriatric training, the President's budget would reduce the number of N.I.A. supported training grants from 163 in 1981 to 156 in 1983. These training grants, while minimal, have been instrumental in stimulating faculty and curriculum development in geriatric medicine and research. These cutbacks are being made when there is a known shortage of health professionals trained in the care of the elderly. The Rand Corporation estimates that we will require between 34,000 to 53,000 geriatric trained physicians by the year 2010. In 1977, the American Medical Association surveyed over 363,000 physicians and found only 629 --.2% -- who identified themselves in any way with geriatric care. Here, in the District of Columbia, 12% of the population is over 65 and 21% is under 18. There are 129 pediatric physicians in the district and only 1 geriatric physician. The American Medical Association estimates that in 1990 40% of physicians in practice will have graduated from medical school after 1979. If we are to provide physicians who know how to diagnose and treat incontinence, the dementias and mental impairment of old age and the ailments that affect mobility --if we are to train physicians who can make the proper prescriptions that will avoid in some measure the incarceration of the elderly in nursing homes, we may be able to affect the budgets of federal and state governments in the most efficient and effective ways we know how.

What then are we to recommend? A penny a day per older person is clearly not enough. In all likelihood two pennies a day is not enough. But two pennies per old person per day might be a useful goal to shoot for between now and 1990. This suggests then, on a straight line basis an increase of $10 million per year over the next 8 years, bringing the request for fiscal 1983 to $89.9 million. Even this increase will not bring us to a genuine 2¢ per day in 1982 pennies. N.I.A.'s budget has been sorely eroded as have all budgets by the horrendous inflation to which we have all been subjected. In fact, when inflation is factored into the President's 1983 budget the net result is a real 6% decrease in the N.I.A. budget.

If the Congress is indeed seeking sound investments and ways of forestalling increasing demands on federal and other public funds and if the Congress is seeking investments which will lead to better health and better quality of life, there is none better than investing in the quest for knowledge which will avoid incarceration of people in their last days. The budget that is before you, at least so far as N.I.A. is concerned is penny foolish and contrary to any rational approach to a fiscal strategy that seeks to minimize future demands on the public fisc.

STATEMENT OF DR. THOMAS R. DIRKSEN

Mr. Chairman and members of the Committee, my name is Dr. Thomas R. Dirksen. I am Associate Dean at the School of Dentistry, Medical College of Georgia in Augusta, Georgia. I am a dentist and a dental researcher. I am appearing today on behalf of the American Association for Dental Research (AADR), of which I am a member. I appreciate having this opportunity to present testimony regarding the fiscal 1983 budget for NIDR and respectfully request that the full text of my testimony be included in the record.

The membership of the AADR consists of over 3,200 scientists from a variety of basic science and clinical disciplines located in universities, research institutes, hospitals, and industrial laboratories around the country. Our principle objective is to study the causes of the major diseases affecting the teeth and orofacial region, seeking ways to control or prevent these diseases. I am pleased to make the resources of our Organization, which is headquartered here in Washington, available to members of Congress and their staffs.

Scope of Dental Problems

A major problem in dealing with dental problems was stated most eloquently in the following quote by the Surgeon General of the United States in foreword to his report, Healthy Children - Children's Oral Health:

> "...[D]ental diseases frequently do not receive the attention they deserve, either from individuals or from health officials, legislators, health planners, or others concerned with improving the Nation's health status."

Most people in this country experience oral disease of some form from early childhood to death. In fact, dental diseases constitute, in the aggregate, the most prevalent health problem in the Nation.

The monetary cost to society as a result of oral disease is high in terms of days lost from work, reduced productivity, and treatment costs. In 1981, it is estimated that out-of-pocket costs to individuals will exceed $16 billion for dental care alone.

Periodontal (or gum) disease, for example, continues to be a problem of increasing concern in our society. More than 65 million people suffer from periodontal disease, including 12 million children, as shown in a survey by the U.S. Department of Health and Human Services (Promoting Health/Preventing Disease, Fall 1980).

With the high levels of periodontal disease, the number of babies born each year with facial deformities and the high incidence of oral sores caused by herpes simplex virus, it is easy to see that there is a strong need for research that will contribute new knowledge to treating and preventing diseases of the mouth and face.

Present Accomplishments

Dental research is directed at both the cure and prevention of oral problems, but prevention has always been the prime target.

Last year, it was reported that there were strong indications of the occurrence of a substantial reduction in tooth decay. That indication has now been confirmed by four separate studies from all around the Nation, reporting reductions of 32% to 50% in just the last ten years among children and young adults. One of these studies is a large survey conducted by NIDR involving 40,000 children.

Without this benefit of dental research, it is estimated that the national dental care bill for 1981 would have been $2 billion higher. This savings alone is more than double the money spent on all phases of dental research by the National Institute of Dental Research since its beginning in 1948.

It is not possible to predict the ultimate extent of this prevention of tooth decay, but expectations of 75% are considered realistic. Assuming that adequate funds are available, NIDR will be able to continue the epidemiological study of the drop in tooth decay.

Although we have not achieved the same level of success for periodontal disease, similar expectations exist for that area of research. For example, periodontal disease is a result of a bacterial infection. Thus, identification of the bacteria responsible, the specific agents causing tissue damage, and the immunological response all provide multiple modes for assaulting this most common and destructive disease. Extensive progress has been made in all these areas in the last few years, and some methods for control of periodontal disease are ready for testing in both animals and humans.

To date, facial deformities such as cleft lip and/or palate disorders have been a burden on many children and their parents, and dental research is contributing greatly to the repair of these defects by new and improved surgical techniques. Looking to the future, current research is providing indications for prevention of this particular birth defect by the development of tests to identify parents predisposed to this condition, identification of agents causing the condition, and finally through understanding the genetic factors.

In spite of preventive dental procedures developed, there will always exist a need for repair of the mouth and face due to trauma and diseases such as cancer. The functioning of the jaw is a delicate and complicated mechanism, but dental research is providing for better methods to restore and maintain function, as well as relieve the excruciating pain which frequently accompanies jaw joint disorders. New biomaterials are being developed to rebuild facial features, as well as new plastic materials and alloys for rebuilding teeth. On-going research is also directed at replacing expensive and scarce metals such as gold and mercury.

The effects of other diseases on oral health -- such as diabetes, cancer and herpes simplex -- are objects of dental research. These studies have contributed to the understanding of the relation of viral infection to initiation of diabetes and holds promise for prevention of this dread disease; the control of oral infection for cancer patients who suffer loss of their natural immunological protection; and maintaining oral function for persons irradiated in the head and neck region.

Budgetary Needs

The investment made in the National Institute of Dental Research, which as you know is the smallest NIH Institute, is paying off as is evidenced by the substantial reduction in the prevalence of dental caries. However, it is necessary to maintain this momentum by supporting additional research directed toward eradicating this disease. We further believe that the dental research community can and will continue to make progress toward solving the multitudes of other oral diseases which confront our society.

We are fully aware of the difficult budgetary pressures facing this Congress, and it is with this in mind that we respectfully request the Committee to provide a funding level of $88,700,000 for fiscal year 1983. This level will allow ongoing research to continue, and it will allow for a balanced investment in all of the elements of a successful dental research program--namely basic research, applied and clinical research, training, and technology transfer. Unless all of these elements are funded in a balanced manner, we believe the taxpayer underwriting this enterprise will not reap the benefits of his investment.

Division of Research Resources

Before we close, Mr. Chairman, we would like to call your attention to another NIH program that plays an important role in strengthening and enhancing the research environments of biomedical research institutions. We are referring to the

Division of Research Resources. This Division has established a distinct and nationally visible focus on resource sharing, has aided in the development of new resource technologies, and has built a means for greater private sector collaboration concerning research resources. We hope that the Committee will provide adequate funding for the Division of Research Resources so that expensive resources so essential to research will be available to researchers on a shared and collaborative basis.

STATEMENT OF FATHER BONIFACE L. WITTENBRINK, O.M.I.

Mr. Chairman and members of the Committee, I am Father Boniface L. Wittenbrink, O.M.I., and I am speaking on behalf of the Friends of Eye Research to request the support of this Committee for vision research at the National Eye Institute.

Vision is important because nearly 90 percent of what we know about the world around us comes through our eyes. The eye is by far the most important of our special sensory organs.

Diseases of the eye affect all age groups -- from the very young to the elderly. The scope of the problem and its impact on society can easily be seen from the following statistics:

- Over 11.5 million people -- 1 of every 20 in the United States -- suffer from significant impairment of vision which cannot be further improved by corrective lenses.

- Of these, 1.6 million have such severe impairment that they are unable to read ordinary newsprint, even with glasses.

- Of those severely impaired, approximately 500,000 are legally blind.

- Approximately 47,000 new cases of legal blindness occur each year.
- Each year, more than 1.1 million people are hospitalized for an eye disorder.
- Approximately 2.5 million eye injuries occur annually, almost one million of which cause permanent visual impairment.
- Each year there are over 771,000 eye operations performed.

As these statistics show, diseases of the eye are prevalent and the fear of vision impairment and blindness is common. However, significant progress has been made in vision research since the National Eye Institute was established 13 years ago. Knowledge and techniques are at hand to prevent or cure several diseases or disorders which cause vision impairment or blindness.

I would like, at this point, to identify for the Committee, by major disease area, some of the recent research accomplishments:

Retinal and Choroidal Diseases: These disorders include retinal detachment, retinitis pigmentosa, senile macular degeneration, and numerous other ophthalmic conditions. Recent accomplishments in this area include: (a) successful use of vitrectomy to remove cloudy and blood-filled vitreous, especially in diabetic retinopathy and other inflammatory disorders; (b) new therapeutic applications of radiation in treating choroidal melanoma; (c) early diagnosis of retinitis pigmentosa using electroretinography and in some instances, identification of retinal cell types affected by the disease; and (d) improved medical and surgical management of chorioretinal diseases.

Corneal Diseases: The leading cause of corneal blindness and impairment -- due to infection -- in the United States is the herpes simplex virus. Here again, research has contributed significantly to early diagnosis and treatment. For example: (a) successful use of several antiviral agents in treating ocular herpes simplex virus infection; (b) better understanding of the disease process in ocular herpes, including the identification of latent herpetic reservoirs in deep-seated neuronal tissue which are responsible for recurrence; (c) proven efficacy and safety of the first ophthalmic antifungal agents and the beginning of clinical trial testing; (d) use of the specular microscope to screen corneal donor material for transplanation and thereby improve the quality of the tissue used and the success rate of corneal grafting.

Cataract: This disease is caused by a cloudiness or opacity in the lens of the eye. Research has given us evidence that cataracts may result from oxidation of lens proteins causing them to clump together and scatter light, thereby impairing vision; new knowledge of the embryology, growth, and development of the normal lens, including the role of hormones and growth factors involved in cell differentiation and division; and evidence to lend support to the hypothesis that sunlight exposure may be related to cataract development.

Glaucoma: This disorder is characterized by a change in the optic nerve and the visual field and by intraocular pressure. Significant progress has also been made in this area, such as the introduction of new drugs for glaucoma therapy, the beta-adrenergic blocking agent timolol which primarily decreases aqueous humor inflow, and dipivalyl epinephrine which is more effective and has fewer side effects than epinephrine, and determining the basis of their action; the use of argon laser treatment to alleviate open-angle glaucoma; and the development of a plastic filtering valve, which allows aqueous humor to escape when intraocular pressure rises, for relief of eyes with intractable neovascular glaucoma.

These are but a few of the research accomplishments which have come about as a result of the federal investment in the National Eye Institute. As you can see, great strides have been made, and suffering has been alleviated. The economic savings to society is in the hundreds of millions of dollars. In other words, the taxpayer is getting a substantial return on his investment.

While our recent accomplishments are impressive, the opportunities and the potential for even greater payoff are numerous and exciting. For example, opportunities exist in:

- Development of noninvasive devices for monitoring aspects of aqueous humor production and outflow and for assessing the health of the optic nerve to aid basic studies of mechanisms underlying glaucoma and enhance treatment of glaucoma.

- Development of methods other than intraocular pressure reduction to protect the optic nerve and to reduce or reverse optic nerve damage.

- Determining the role of various environmental and genetic factors in cataract etiology.

- New tests, procedures, and materials to improve visual acuity by modification of corneal refractive properties.

- Elucidation of changes in stromal properties caused by corneal dystrophies, other diseases, and aging.

While progress toward better diagnosis, treatment and prevention of eye diseases is continuing, we still have a long way to go to ensure good vision for millions of our citizens.

We fully appreciate the difficult financial decisions facing this Congress, and it is with this in mind that we request that $191,000,000 be made available to the National Eye Institute in fiscal year 1983. While this level of funding will permit some modest expansion of vision research, a great many high quality projects will not be funded; thus slowing the pace at which new knowledge is developed. The momentum initiated by this Committee must be maintained so that future generations may reap the benefits of this work.

We wish to thank this Committee for its past interest in, and support of, the National Eye Institute and we hope you will be able to continue that support.

STATEMENT OF DR. A. EDWARD MAUMENEE

Mr. Chairman, I have had the opportunity to testify before this distinguished Committee seeking increased appropriations for the National Eye Institute (NEI) on many occasions during recent years, and I wish to thank you for your long record of interest and support.

We approach your Committee this year with the greatest respect for the extremely difficult problems which face you at this time of national decision. We are fully aware that we are at a turning point in our national economy which impels budgeters in the governmental and private sectors to move with great caution in planning fiscal 1983 activities.

We therefore are departing from our usual acceptance of the budget prepared by the advisors to NEI who regularly create a multi-year activity plan for the institute. This group of approximately 250 prominent scientists and research administrators has reviewed the entire body of vision research now in progress under the auspices of NEI and other entities. They project for fiscal 1983 a lean and practical NEI budget of $191.2 million. The Citizens' Budget usually mirrors this planning because we think highly of its objectivity and preponderant nongovernmental advisory component. We think it is a good budget this year, but because of the special eocnomic situation facing the country, we support a lower appropriations request.

The Citizens' Budget therefore totals $163.1 million, or $28.1 million less than the projection made by those who have carefully drawn the NEI plan for the next three years.

Mr. Chairman, the community of health care and research administrators, along with the laboratory scientists who perform the research funded by NEI grants, have done precisely what the Congress wants done in health research.

Your legislative initiative in creating the NEI in 1968 undoubtedly anticipated a strengthening of basic research in ophthalmology. This has been done. More is known about the anatomy of the eye and how individual tissues and mechanisms interact than ever before. Nobel Prize work supported by NEI has proven of great value to eye research and, beyond that, to neurologists and others accomplishing pioneering work in explaining how the brain perceives visual and other sensory phenomena.

Congress certainly intended the NEI to bring together a cadre of scientists dedicated to continuing work in basic and clinical ophthalmic sciences and made training grants available for the purpose. We now have that cadre. Nearly every medical school has a department of ophthalmology now. Fewer than half of the schools had them before NEI was established. The training grants made a great difference and are still vital in keeping the ranks filled.

No doubt those Members of Congress providing a statutory base for ophthalmology research expected practical results for the patient. This Committee has a right to be proud of the flow of new procedures, new therapies, and new devices which have provided great benefits to patients and, in some important instances, provided significant reductions in the cost of protecting people against blindness. Much has been accomplished in just 14 years since NEI was established. With laser treatment of diabetic retinopathy thousands of patients are now enjoying years of extended ability to see. Vitrectomies are removing obstructive formations in the vitreous of the eye through the use of instruments of recent invention. For the first time drugs effective against viral infections of the eye, a leading cause of blindness, have passed clinical trial successfully and are routinely prescribed by physicians. These are but a few of the many practical benefits which come from your support of research in ophthalmology.

The practical results achieved by the NEI since 1968 are very evident. Of equal importance is the base it has established for the realization of future benefits. There is a communications network that did not exist at the time, a strong flow of basic science to enrich clinical investigations, a clinical capacity for investigating the safety and efficacy of new procedures and new drugs which is probably the world's finest. In this regard I should mention the development which has brought a new generation of vision aids into being, the soft lens . Questions arose about their safety. A very large portion of the ophthalmologists in the United States were mobilized under Food & Drug Administration program to gather data on the subject. The data were gathered promptly and the regulatory authorities were satisfied, as were the physicians and patients with a direct interest in the conclusions. This capacity for controlled evaluation of a product did not exist before the vision research community was brought together and expanded by your support for research. The job could not have been done so promptly or with such authority.

This expansion has brought logistical problems. Almost every department of ophthalmology in the country is in urgent need of facility renovation or construction This has been substantiated by governmental as well as nongovernmental surveys and, just a few weeks ago, the Association of University Professors of Ophthalmology reaffirmed the high priority they place on renovation funds. We know your Committee, particularly, has been active in meeting this priority and we extend to you our sincere thanks for your help. The first $3 million in renovation and construction grants have been allocated and distribution of the funds is expected in a few months. The second notice of grant awards has been sent out as a result of this mittee's actions. We request this year another $3 million for this purpose. The Association of University Professors of Ophthalmology see the program as requiring a ten year effort to bring facilities up to the necessary level as was done in each of the other NIH areas prior to the creation of the NEI.

We are pleased to report that the latest NEI planning document is scheduled for publication within several weeks and copies will be made available to all Members of your Committee. This is the third cycle of NEI-wide planning accomplished almost entirely by nongovernmental personnel, and we think it is the best. Several thousand research projects-- not just those supported by NEI-- were carefully reviewed before the experts on five disease-area committees met, discussed, and reached conclusions on the next steps to be taken in research.

The process takes months to complete. No other institute addresses such a world of activity in such an orderly fashion to produce a comprehensive research plan. For instance, the committee on visual processing and amblyopia reviewed over 900 projects funded by governmental and private sources. Committees of experts in each of the other disease areas covered the work in their respective fields with similar diligence and thoroughness.

The result is not a government fiat that certain projects must be performed. No one is ordered to obey any rule or regulation. Rather, the plan is held up to all ophthalmology researchers as the best judgment by research authorities about which research opportunities hold the most promise. I believe that one reason ophthalmic research has been so productive is the guidance given by this plan.

This planning has encouraged and focused vision research so that many investigations are close to the payoff point. I have testified, for instance, for five years on exciting chemical means to slow or stop the growth of cataracts. Laboratory work has proven that an enzyme, aldose reductase, is a key factor in cataract. A few weeks ago, NEI was able to put project results before the public in a conference in Bethesda to explore translating the animal and laboratory work into clinical trials. The practicality of the outcome in the treatment of deabetics was so favorably viewed by outsiders capable of judging the work that fifteen pharmaceutical manufacturers sent representatives to the meeting and it now appears that NEI might see this crucial clinical research performed at no cost to the federal government. The potential for the treatment of diabetic neuropathy and vascular disease in diabetics is very great., indeed.

We are asking in this Citizens' Budget for $5 million in clinical center support. In cataract we are fortunate to have in place a 22-clinic consortium ready at all times to test any new therapy which shows promise. The pipeline is flowing well at the moment with a number of cataract projects. The 22 units are in close communication and cooperate on each other's projects. We need the same sort of consortia in other ophthalmology research areas. The $5 million we request will help them come into being.

We are requesting in this minimum budget $55 million for strabismus and amblyopia, and as I have mentioned, $3 million for facility renovation and construction.

We call this a minimum budget because, frankly, Mr. Chairman, we are concerned that we are beginning to see an erosion of the NEI's ability to carry out Congressional objectives. This erosion must be stopeed, else the momentum, the investment, and the expertise we have built since 1968 will be dissipated. NEI funded 1,100 grants in 1979, but only 1,016 ~~in~~ 1980; about the same number in 1981, but in the present year the total will fall to 990. Support three years ago was 11% higher than at present.

In constant, 1969, dollars, the NEI appropriation for fiscal 1982 is 4% below the level of three years ago.

Mr. Chairman, this autumn I will preside at the 24th International Congress of Ophthalmology which will bring scientists and physicians to San Francisco from all over the world. It is my expectation that this meeting will substantiate my view that ophthalmological research is on the threshold of its greatest flowering. NEI is truly product of broad medical community participation and enjoys the most effective nongovernmental input utilized by any institute at NIH. I think this program should be supported with something beyond a formula appropriation which advances each of the NIH institutes approximately the same percentage amount. We have shown in prior years' testimony a savings to the patients of the nation every year an amount at least five to ten times the yearly cost of operating NEI. These figures are beyond dispute. They show that this research constitutes an anti-inflationary contribution to the economy.

We thank you for your vigorous support for eye research and the special actions you have taken to protect the integrity of your appropriations in the allocation process. We appreciate the opportunity you have given us to present the Citizens' Budget for NEI for fiscal 1983.

CITIZENS' BUDGET FOR NATIONAL EYE INSTITUTE
(Fiscal Year 1983. Dollars In Millions)

	Budget According To Planning Process	Minimum Citizens' Budget
By Program		
Retinal & choroidal diseases	$62.5	$55.0
Corneal disease	25.1	22.1
Cataract	16.3	14.4
Glaucoma	16.5	14.5
Strabismus, amblyopia & visual processing	39.5	34.8
Intramural NEI laboratory & clinical r'sch.	15.0	13.8
Research laboratory renovation & Construction, nongovernment	10.0	3.0
NEI management and program services For research	6.1	5.5
Institute Totals	$191.2	$163.1
By Funding Mechanism		
Grants		
Research grants	$138.1	$122.9
Extramural laboratory, clinic renovation And construction	10.0	3.0
Core center grants	6.5	4.5
Specialized clinical research centers	0.5	0.5
Training of individuals	2.5	2.0
Institutional training programs	4.5	3.5
Grants subtotal	$162.1	$136.5
Direct NEI Operations		
Intramural laboratory & clinical research	14.1	13.0
R & D contracts	8.0	7.2
Epidemiology & related studies	0.8	0.8
Management & program services	6.1	5.5
Direct operations subtotal	29.1	26.6
Institute Totals	$191.2	$163.1

(All items rounded)

A. Edward Maumenee, MD

Dr. Maumenee is Professor of Ophthalmology and former Director of the Wilmer Ophthalmological Institute of The Johns Hopkins University School of Medicine and Hospital. He is President of the International Congress of Ophthalmology which will meet in San Francisco during the fall of 1982. He is Past President of the American Academy of Ophthalmology and Otolaryngology; the Section of Ophthalmology of the A;mrican Medical Association; the Association for Research in Vision and Ophthalmology; and the Pan American Association of Ophthalmology. He is founder and Past President of the Association of University Professors of Ophthalmology and serves as ophthalmic consultant to the Surgeon General of the United States Navy. A founding member of the Scientific Advisory Panel of Reserch To Prevent Blindnes, Inc. (RPB), he was the 1976 recipient of the distinguished RPB Trustees Award ~~for Out~~standing Ophthalmic Achievement.

Dr. Maumenee has been closely associated with the objectives of the National Eye Institute since its establishment and was Chairman of the National Advisory Eye Council Planning Committee that conducted the comprehensive study which culminated in the publication of the authoritative report, entitled, *Vision Research: A National Plan, 1978-1982.*

STATEMENT OF ALONZO C. ATENCIO, UNIVERSITY OF NEW MEXICO SCHOOL OF MEDICINE

Senator SCHMITT. At this time, before moving to our next panel, we will hear from Dr. Alonzo Atencio, from the University of New Mexico Medical School, who will testify regarding funding for the Minority Biomedical Research Support Program for the Division of Research Resources.

Dr. Atencio, welcome. If you could proceed with a summary of your statement.

Mr. ATENCIO. Although ethnic minority groups comprise more than 18 percent of this country's total population, they make up less than 5 percent of the science and engineering work force. The mission of the Minority Biomedical Research Support Program is to increase the number and quality of minority biomedical research scientists. The program was established in response to this dearth of minority scientists available to participate in the National Institutes of Health research effort.

Several factors appear to have contributed to the low percentage of minorities engaged in biomedical sciences research and other health professions. Among these are: (a) Limited exposure of minority students to relevant career opportunities. Because of sparse or nonexistent research activity by science faculty at most minority institutions, a number of minority students have concluded that their only option is to teach or become subprofessional workers in industry; (b) minority students who pursue advanced training often find that the absence of a research-based science program at their home institutions has put them at a disadvantage. They usually have had little or no training in the use of technologically advanced equipment and little practical experience in translating scientific hypotheses and laws into useful experiments; and (c) lack of research activity by minority faculty members. Although many such faculty are well trained, they do not pursue research activity, since they are rewarded only for teaching. There is a lack of facilities, and their institutions are ill-equipped to manage research-related activities in an efficient manner.

In an attempt to address this underrepresentation in the biomedical sciences, the minority biomedical research support program was initiated at NIH in 1972. Thirty-eight institutions received MBS grants totaling $2 million. Initially, the activities supported focused on student motivation and training, and no indirect-cost payments were made to the participating institutions.

The MBRS program has since expanded to 81 educational institutions at a funding level of $18.065 million in 1982. Though the focus has shifted from student motivation, the MBRS now involves both undergraduate and graduate students as junior investigators. Evidence of the quality of their biomedical research was much in evidence at the 10th Annual MBRS Symposium held in Albuquerque, N. Mex., in April 1982.

In fiscal year 1981, MBRS supported 636 faculty, 975 graduate and 368 undergraduate junior investigators—students—in 81 U.S. universities and colleges. The corresponding numbers for fiscal year 1982 are 600 faculty, 900 undergraduate, and 320 graduate students, respectively. They were involved in over 500 individual research projects.

The MBRS program in its 10 years of existence is viewed as the most responsive and productive program developed to assist in the discovery of a scientific talent pool heretofore untapped. It was developed from a careful study of the needs by those in the community affected and by appropriate modifications over the years to better serve the public and carry out the mission of the program as it relates to the mission of the NIH.

About 5,000 minority students have participated in the program, and another 1,500 are presently being supported. Those that have graduated from the participating institutions have chosen careers in the following pattern.

Approximately 1,600 of these participants have elected to pursue graduate studies. During 1976–80, for instance, over 100 of the 885 Ph. D.'s awarded by U.S. institutions to native-born ethnic minorities can be directly related to MBRS support. Fifty-five of the doctorates awarded were by MBRS-participating institutions.

About 2,200 MBRS students have pursued health careers as M.D.'s, dentists, veterinarians, and other health professions. With the projected lack of clinical investigators in the biomedical sciences, these students have the potential of being an important source of clinical investigators.

The remaining students who elected not to pursue advanced studies are involved in work related to biomedical sciences and health.

The productivity of faculty and students, using publications and research papers presented at national scientific meetings, has increased over fivefold for faculty and threefold for students in the period from 1974 to 1980.

As results of MBRS expansion of minority institutions' research capabilities and research opportunities, these investigators are conducting high-quality research and making significant contributions toward understanding the etiology and cure of diseases affecting man.

Being aware of the serious toxic side effects of corticosteroids and the need for their anti-inflammatory effects, MBRS investigators at Florida A. & M. are working on developing anti-inflammatory compounds devoid of toxic side effects. Their studies on rats have shown that two of the compounds developed and tested have marked local anti-inflammatory action without the side effects of the steroids currently employed.

It is well known that sickle-cell anemia and the sickling trait carried by nonsufferers of sickle-cell anemia affects 5 to 8 percent of the black population, also in tropical Africa, India, Arabia, and Southern Europe. MBRS investigators at Morehouse College are attempting to understand the causes of sickle-cell anemia.

Their approach is to apply cross-linking agents and other extraction procedures to irreversibly sickled cells. By comparing the protein organization in the cell membranes of normal and sickled cells, they hope to isolate and characterize the site responsible for sickling on the external surface of the membrane. Results of these studies could lead to the isolation of membrane molecules responsible for sickle-cell aggregation.

The need for strong, efficacious antihypertensive drugs with minimal side effects is being addressed by an MBRS-supported investigator at Meharry College. To date, compounds which meet these criteria have been synthesized. The results of this investigation clearly show great promise in the potential control of hypertension with minimal discomfort caused by side effects of currently employed hypertensive drugs.

A group in Puerto Rico last year reported the discovery of a protective antigen in the parasitic tropical diseases schistosomiasis and fascioliasis. These investigators are now involved in developing a vaccine against these tropical diseases.

During the period of 1974–83 the MBRS has been appropriated $113 million to support institutional biomedical research and minority students. A cost analysis reveals that the MBRS has spent on the average of $4,700 per undergraduate and about $9,000 per graduate student, compared to $12,500 spent for other NIH graduate-student support. In terms of costs per research project, excluding student costs, which are 36.85 percent of budget, the average comes to $50,000 compared to an average of $100,000 for other NIH-supported research projects. The cost for MBRS-supported projects therefore is one-half of that of other NIH projects and $3,500 less for each graduate student supported by NIH.

Examining the cost effectiveness of the MBRS in another way, during the 1974–82 period there were a total of 14,348 participants—faculty, undergraduate, and graduate students—leading to $7,902 spent per participant. This figure reflects only appropriated money and does not include the amount contributed by participating institutes of the NIH. The MBRS program thus is not only the least costly but the only program in the NIH which addresses the need for developing underrepresented minority scientists.

The Commission on Human Resources of the National Academy of Sciences recently reported that one out of eight Ph. D.'s awarded to native-born minorities can be directly attributed to the efforts and support of the MBRS program. Since 1972 there have been nearly 4,600 minority students who have graduated—science majors—from institutions with MBRS support. Nearly 50 percent of these students have gone on to pursue advanced degrees in health professions. Another 40 percent have gone on to graduate school pursuing graduate degrees.

Another NIH-supported program, minority access to research careers, or MARC, has had similar success. Since 1972, MARC has supported over 150 minority faculty through faculty fellowships or as visiting scientists. Around 1977 the MARC started to include undergraduate and graduate students, and by 1981 they had supported close to 900 students. Around 85 percent of the MARC students graduating have gone on to higher education, with 60 percent to graduate school and 30 percent into health professions. This can be compared with 12 to 15 percent of other training programs.

As these programs mature and inflation takes its toll, the needs of the MBRS take on another dimension. There are, for instance, about 80 grant applications pending and requesting some $2.7 million. A backlog of approved but not funded MBRS grants could be removed by an additional $2 million support. After 10 years some of the research equipment purchased with MBRS funds has either become obsolete or worn out, requiring replacement. Replacement of such essential research equipment could come to $1.5 million.

In summary, a minor expansion in funding of about $7 million would allow for growth and maintenance of MBRS research projects essential to continue training minority scientists. This is very important, since MBRS-supported institutions are also providing a pool of graduate students for majority schools. Vigorous recruitment programs at these institutions have difficulty finding minority graduate students. This was very much in evidence at the 9th and 10th Annual MBRS Symposium in New Mexico.

I guess that will be about it.

QUESTIONS

Senator SCHMITT. Doctor, thank you very much.

Do you think that the program levels that you recommend, in view of the effective decrease in total support as a result of inflation in the health professions, will be sufficient to begin the restoration of the balance of minority professions within the medical profession?

Mr. ATENCIO. This represents a very small percentage of the total budget awarded for research at the NIH national foundation.

Senator SCHMITT. Do you have an estimate of the numbers of minorities that are seeking assistance relative to those of non-minority status and, also, whether or not they are receiving precollege preparation, pre-medical school preparation necessary to warrant support?

Mr. ATENCIO. I can only speak of isolated cases. It has taken a long time to create an awareness and encourage minorities to enter the competitive fields of science and medicine in general. This program has been in effect only for about 10 years.

We are seeing now at New Mexico, where we have all these particular programs I mentioned—for the first time, we begin to see students who were high school students in 1970–71 applying to medical school and getting an early decision program, who select the cream of the crops. This year, 7 out of 18 students were minorities with solid grade-point averages. I do not think this would be possible if they hadn't been encouraged at an early date to begin to prepare.

I believe these are isolated instances, but I think much more of this is needed.

Senator SCHMITT. Is the joint resource center having an effect? Is the medical school cooperating with the resource center that's funded by the National Science Foundation?

Mr. ATENCIO. The resource center can also provide encouragement for students at the high school level to enter careers in science and engineering.

Senator SCHMITT. Does that include medicine?

Mr. ATENCIO. That includes it, because there's a transition from engineering to medicine. I compiled some surveys of the goals of high school students, primarily minorities, and about 25 percent of those graduating indicated they would like to go into engineering, so it is having an effect. And it will probably take two more decades before we begin to see the full effect of this and continued funding for this type of program.

Senator SCHMITT. Doctor, thank you very much for your testimony. I wish we could spend more time. As you know, this week we have to get through, what, 160 witnesses?

I will turn the gavel over to my distinguished colleague from New Hampshire—almost New Mexico, at least by name—Senator Rudman. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF ALONZO C. ATENCIO

INTRODUCTION

Although ethnic minority groups comprise more than 18 percent of this country's total population, they make up less than 5 percent of the science and engineering workforce. The mission of the Minority Biomedical Research Support (MBRS) Program is to increase the number and quality of minority biomedical research scientists. The program was established in response to this dearth of minority scientists available to participate in the National Institutes of Health (NIH) research effort.

Several factors appear to have contributed to the low percentage of minorities engaged in biomedical sciences research and other health professions. Among these are: (a) limited exposure of minority students to relevant career opportunities. Because of sparse or non-existant research activity by science faculty at most minority institutions, a number of minority students have concluded that their only option is to teach or become sub-professional workers in industry; (b) minority students who pursue advanced training often find that the absence of a research based science program at their home institutions had put them at a disadvantage. They usually have had little or no training in the use of technologically advanced equipment and little practical experience in translating scientific hypotheses and laws into useful experiments; and (c) lack of research activity by minority faculty members. Although, many such faculty are well trained, they do not pursue research activity since they are rewarded only for teaching. There is a lack of facilities and their institutions are ill-equipped to manage research related activities in an efficient manner. In an attempt to address this underrepresentation in the biomedical sciences, the Minority Biomedical Research Support (MBRS) Program was initiated at NIH in 1972. Thirty-eight institutions received MBS grants totaling $2 million. Initially, the activities supported focused on student motivation and training and no indirect cost payments were made to the participating institutions.

The MBRS program has since expanded to 81 educational institutions at a funding level of 18.065 million dollars in 1982. Though the focus has shifted from student motivation, the MBRS now involves both undergraduate and graduate students as Junior Investigators. Evidence of the quality of their biomedical research was much in evidence at the 10th Annual MBRS Symposium held in Albuquerque New Mexico in April 1982.

In FY 1981 MBRS supported 636 faculty, 975 undergraduate and 368 graduate junior investigators (students) in 81 U.S. universities and colleges. The corresponding members for FY 1982 are 600 faculty, 900 undergraduate and 320 graduate students respectively. They were involved in over 500 individual research projects.

HISTORY OF THE PROGRAM

The MBRS Program in its 10 years of existence is viewed as the most responsive and productive program developed to assist in the discovery of a scientific talent pool heretofore untapped. It was developed from a careful study of the needs by those in the community affected and by appropriate modifications over the years to better serve the public and carry out the mission of the program as it relates to the mission of the NIH. About 5,000 minority students have participated in the program and another 1,500 are presently being supported. Those that have graduated from the participating institutions have chosen careers in the following pattern:

> *Approximately 1600 of these participants have elected to pursue graduate studies. During 1976-1980, for instance, over 100 of the 885 Ph.D.'s awarded by U.S. Institutions to native born ethnic minorities can be directly related to MBRS support. Fifty-five of the doctorates awarded were by MBRS participating institutions.
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> *About 2200 MBRS students have pursued Health Careers as M.D.'s, Dentists, Veterinarians, and other health

professions. With the projected lack of clinical investigators in the biomedical sciences, these students have the potential of being an important source of clinical investigators.

*The remaining students who elected not to pursue advanced studies are involved in work related to biomedical sciences and health.

*The productivity of faculty and students using publications and research papers presented at National Scientific Meetings has increased over five fold for faculty and threefold for students in the period from 1974 to 1980.

SPECIFIC RESEARCH HIGHLIGHTS

As results of MBRS expansion of minority institutions research capabilities and research opportunities these investigators are conducting high quality research and making significant contributions toward understanding the etiology and cure of diseases affecting man.

*Being aware of the serioui s toxic side effects of corticosterioids and the need for their antiinflamatory effects, MBRS Investigators at Florida A & M are working on developing antiinflammatory compounds devoid of toxic side effects. Their studies on rats have shown that two of the compounds developed and tested have marked local antiinflammatory action without the side effects of steroids currently employed.

*It is well known that sickle cell anemia and the sickling trait carried by non sufferers of sickle cell anemia affects 5 to 8% of the black population (also in tropical Africa, India, Arabia and Southern Europe). MBRS Investigators at Morehouse College are attempting to understand the causes of sickle cell anemia. Their approach is to apply crosslinking agents and other extraction procedures to irreversibly sickled cells. By comparing the protein organization in the cell membranes of normal and sickled cells they hope to isolate and characterize the site responsible for sickling on the external surface of the membrane. Results of these studies could lead to the isolation of membrane molecules responsible for sickle cell aggregation.

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*A group in Puerto Rico last year reported the discovery of a protective antigen in the parasitic tropical diseases, schistosomiasis and fascioliasis, these investigators are now involved in developing a vacine against these tropical diseases.

COST EFFECTIVENESS

During the period of 1974-1983 the MBRS has been appropriated 113 million dollars to support institutional biomedical research and minority students. A cost analysis reveals that the MBRS has spent on the average of $4700 per undergraduate and about $9,000 per graduate student compared to $12,500 spent for other NIH graduate student support. In terms of costs per research project, excluding student costs (36.85% of budget), the average comes to $50,000 compared to an average of $100,000 for other NIH supported research projects. The cost for MBRS supported projects therefore is 1/2 of that of other NIH projects and $3,500 less for each graduate student supported by NIH. Examining the cost effectiveness of the MBRS in another way, during the 1974-1982 period there were a total of 14,348 participants (faculty, undergraduate and graduate students) leading to a $7,902 spent per participant. This figure reflects only appropriated money and does not include that amount contributed by participating Institutes of the NIH. The MBRS program thus is not only the least costly but the only program in the NIH which addresses the need for developing underrepresented minority scientists.

IMPACT OF NIH ON TRAINING OF MINORITY SCIENTISTS AND RECOMMENDATIONS

The Commission on Human Resources of the National Academy of Sciences, recently reported that 1 out of 8 Ph.D's awarded to native born minorities can be directly attributed to the efforts and support of the MBRS program. Since 1972 there have been nearly 4600 minority students who have graduated (science majors) from Institutions with MBRS support. Nearly 50% of these students have gone on to pursue advanced degrees in health professions. Another 40% have gone on to graduate school pursuing graduate degrees.

Another NIH supported program Minority Access to Research Careers, MARC, has had similar success. Since 1972 MARC has supported over 150 minority faculty through faculty fellowships or as visiting scientists. Around 1977, the MARC started to include undergraduate and graduate students and by 1981 they have supported close to 900 students. Around 85% of the MARC students graduating have gone on to higher education with a 60% to graduate school and 30% into health professions. This can be compared with 12 to 15% of either training programs.

As these programs mature and inflation takes its toll, the needs of the MBRS take on another dimension. There are, for instance, about 80 grant applications pending and requesting some 2.7 million dollars. A backlog of approved but not funded MBRS grants could be removed by an additional 2.0 million dollar support. After ten years, some of the research equipment purchased with MBRS funds has either become obsolete or worn out requiring replacement. Replacement of such essential research equipment could come to 1.5 million.

In summary, a minor expansion in funding of about 7 million dollars would allow for growth and maintenance of MBRS research projects essential to continue training more minority scientists. This is very important since MBRS supported institutions are also providing a pool of graduate students for majority schools. Vigorous recruitment programs at these institutions have difficulty finding minority gradute students. This was very much in evidence at the 9th and 10th Annual MBRS Symposium in New Mexico.

Division of Research Resources Panel

STATEMENTS OF:

DR. RONALD D. HUNT, PROFESSOR OF COMPARATIVE PATHOLOGY, HARVARD MEDICAL SCHOOL, NEW ENGLAND REGIONAL PRIMATE RESEARCH CENTER, SOUTHBOROUGH, MASS.

DR. NORMAN H. ALTMAN, PROFESSOR AND DIRECTOR, DIVISION OF COMPARATIVE PATHOLOGY, UNIVERSITY OF MIAMI, AND PRESIDENT, AMERICAN COLLEGE OF LABORATORY ANIMAL MEDICINE, MIAMI, FLA.

DR. LEO J. NEURINGER, DIRECTOR, HIGH FIELD NMR RESOURCE, REPRESENTING THE ASSOCIATION FOR ADVANCED TECHNOLOGY IN THE BIOMEDICAL SCIENCES, CAMBRIDGE, MASS.

DR. BERNADINE HEALY BULKLEY, ASSOCIATE PROFESSOR OF MEDICINE, JOHNS HOPKINS UNIVERSITY, AND CHAIRMAN, PUBLIC POLICY COMMITTEE, AMERICAN FEDERATION FOR CLINICAL RESEARCH, THOROFARE, N.J.

DR. ANDREW N. ROWAN, ASSISTANT DIRECTOR FOR THE INSTITUTE FOR THE STUDY OF ANIMAL PROBLEMS, THE HUMANE SOCIETY OF THE UNITED STATES, WASHINGTON, D.C.

Senator RUDMAN [presiding]. The next group will discuss the Division of Research Resources. We'll hear testimony from the Humane Society of the United States, the American Federation of Clinical Research, the Association for Advanced Technology; in the biomedical sciences, the New England and the American College of Laboratory Animal Medicine.

If the witnesses will please take their seats, we'll be ready to begin.

We welcome you. Your prepared statements will be printed in their entirety in the record. You may proceed accordingly. I know arrangements were made among yourselves—have you made any at all? If you haven't we'll go left to right or any way that you would like to go.

I would like you to identify yourselves first, if you would, for the record.

STATEMENT OF RONALD D. HUNT

Dr. HUNT. I'm Dr. Ronald Hunt, professor of comparative pathology. I would like to begin with an apology. I'll have to leave after my presentation.

Senator RUDMAN. That's fine. We all know the feeling.

Dr. HUNT. I believe the program has been successful. It represents the most unique of the biomedical resources available. I'd like to comment on two of the many goals the center has, one of which is serving as a regional resource to the biomedical community at large. Many millions of dollars of NIH-supported research are conducted at the primate research centers and many of these programs simply could not be done if the training center did not exist.

The previous panel made references to Dr. Scorcy Wesel and Dr. David Hudel, who received a Nobel prize last year for their contributions to better understanding vision. This program simply would not have been done, had the New England Regional Primate Research Center not existed, because they would not have had the animal resources necessary to conduct their studies. Dr. Wesel and Dr. Grafiola are continuing their program, funded through the Eye Institute. But conducted at the primate center.

Another program could save many millions of people from having to wear glasses because for the first time we are providing evidence as to why myopia might develop in the human being. It could not be done if the primate resource didn't exist. The species which they need to do this study, is an endangered species. If the primate center could not breed this animal, it would not be available.

Another area that the primate center is making contributions on, as I have essentially pointed out in my latter comment, the center is studying nonhuman primates itself. It's one of the few groups directly studying the animal. If we don't understand how to breed these animals, what they need to eat, how to prevent their developing diseases, they are going to be lost forever. They come from foreign lands where millions of acres are deforested each year. The animals are losing this natural habitat. They are going to have to have breeding sites in this country. We are not going to be able to breed them if we don't understand how to do that.

Congress created that program, but did not pay significant attention to the program since they created it. They built seven centers across this land with 100 percent funding by the Federal Government. These are federally-owned buildings and they are beginning to fall apart. I'm not here seeking expansion of research programs. I'm merely asking Congress to develop a program to maintain the facilities which they built.

I would like to make a few brief comments on the budget. The current budget calls for roughly $18.6 million for the seven centers. It's important to remember within this particular appropriation, it includes the funds for indirect costs. That includes the costs to heat these buildings, to light these buildings, to pay for themselves, et cetera.

Based on the data which we have, which is similar to any other organization, this means about half of that budget is available to actually conduct a good research program. So, roughly $10 to $11 million is available for seven centers.

This is not a particularly large budget. The centers need renovation of sewer lines, boilers, air-handling equipment, renovation of annual facilities to improve the quality of animal care and to meet Federal guidelines for animal care. They need to replace workout equipment which is necessary to operate resources.

Based on the study conducted 2 years ago, we came up with a figure that to bring these facilities up to standards, we need $14,202,132. What I'm asking Congress to look at, is appropriating essentially $3.5 million a year for the entire seven centers' program for a period of 4 years, to allow these facilities to be maintained properly. The President's budget only calls for a 1.6-percent increase in our allotment. That in itself, is going to require reduction, but due to the economy, we are willing to try to live with that. But we do need to renovate these buildings, which, I would like to stress, are owned by the Federal Government. They are administered by very prestigious universities. The cost-saving will pay for itself, but it's going to cost us a lot more in the future if we don't take action now.

Thank you.

STATEMENT OF DR. NORMAN H. ALTMAN

Dr. ALTMAN. Thank you, Senator. I relinquished my spot to Dr. Hunt, because I was planning to stay; I could afford more time.

My name is Dr. Norman H. Altman. I'm a professor of pathology. I am here representing the American College of Laboratory Animal Medicine.

I feel that there are a number of matters that I would like to discuss with you that are in my written statement, but let me summarize them for you in terms of both the technical importance and the fiscal interests.

To begin with, I think we both recognize the role of the veterinarian in providing high-quality and humane care of animals used in research. I essentially have two roles. One is a personal role in terms of my professional responsibilities, as both an animal owner and lover, to see that animals are humanely cared for and treated while used in research.

But, Senator, we are also partners in carrying out Federal legislation that demands certain standards for animal care and animal welfare. I think, in that sense we can appreciate the budgetary items that I would like to discuss. There are a number of Federal laws concerning animal welfare, a number of NIH regulations which I have spelled out in the written testimony, and, certainly, public concern for the animals that are used.

I think if you turn to table 1 in my written testimony, I have tried to draw a comparison with what's happened in the past 5 years. The first item lists the total NIH budget from 1978 through 1983.

Approximately 83 percent of that budget is used for extramural research. And in column 1B, you can see that approximately 50 percent of that budget represents research projects that involve animals. For the current budget year we are discussing, 1983, it involves over $1.5 billion in animal-related research.

But how have the animals fared in terms of basic necessities with the budget? If we look at item 2, Division of Research Resources, we can see that there's a steady increase in the total funding. The percent of DRR budgeted funds over the past 5 years has remained essentially stable at 12 percent.

However, under number 3, we can see what has happened in terms of the total animal-resource program. While the total funding has crept up to a small degree, that percent funding as represented in column 3B has actually decreased from 15 percent of a DRR budget to 13 percent of the DRR budget.

If we skip down to the next line, 3C, I think you can see very dramatically whereas in 1978 we actually spent $8.4 million to support over $1 billion in animal-related research, in the current budget that has been reduced to $7.3 million. And yet the total budget has gone up to $1.5 billion.

So what we are asking, while we are actually allocating more and more in terms of research dollars, we are reducing the amount that is used to support the basic resources.

Well, what are these resources used for? I think there are three main areas.

One is the study of the naturally occurring diseases that occur in animals, so that we can insure that they live longer in the research environment and suffer less from naturally occurring disease which interferes with the interpretation of experimental results.

Second, and certainly not unimportant, is the training of veterinarians to be involved in this particular specialty. I might add that 10 years ago I was a recipient of an NIH training award in the specialty of laboratory animal science. And currently, 85 percent of the veterinarians that have received such support are involved in academic pursuits.

I think we must recognize that animal-facility improvements are items that cannot be included in individual research budgets. While the individual researchers may ask for food and bedding and supplies, it's very difficult to ask for an air-conditioning system, an automatic watering system, or to upgrade an entire floor. And yet this is what is required.

So, essentially, what I would like to recommend are the two points in the summary statement. One is that the Laboratory Animal Sciences budget be restored to the 18.7 percent which the DRR recommends in their 5-year plan, a copy of which I have here. This would amount to, in fiscal 1983, a budget of $35,721,000. And second, for Congress to enact a special 5-year animal-facility improvement plan.

I have listed the details in my statement. I think the important aspect is that, one, it requires matching funds from institutions, which I think will generate many, many millions of dollars in needed improvements. And second, it requires each institution to review their animal-care program and to look at their total needs, and not the needs of one small aspect.

Thank you.

Senator SCHMITT. Thank you very much, doctor.

STATEMENT OF DR. LEO J. NEURINGER

Dr. NEURINGER. I'm Dr. Leo Neuringer, and I'm director of the High Field Nuclear Magnetic Resonance Resource at the Massachusetts Institute of Technology and a member of the steering committee of the Association for Advanced Technology in Biomedical Sciences.

Mr. Chairman, I wish first to express my appreciation for the opportunity to be here. I am speaking on behalf of a group of university scientists working on the development of new techniques and new state of the arts shared facilities for biomedical research.

Their work is supported by the biomedical resources program for the Division of Research Resources. I will be brief. You have my prepared testimony.

The basic thrust of my report is that the state of instrumentation in this country in support of biomedical research is in gross disrepair. Something has to be done to rejuvenate it if we are to avoid becoming a nation that is second-rate in research and technology.

And if this statement sounds alarmist, I will say it was unconceivable to me that this country would lose the leadership in a field of research which was discovered by two Americans, and for which they ultimately shared the Nobel prize.

There are several points which I wish to stress. First, it's in the national interest for medical science, medical practice to benefit from the rapid advances in technology and the physical sciences.

Therefore, first-rate instrumentation is an absolute requirement if we are to be able to generate new knowledge and to test current ideas about the molecular and genetic bases of disease.

However, many types of modern instrumentation are too costly to be given to individual investigators through the categorial grants. They must be shared on a regional or national scale.

Yet, the biotechnology resources program in the Division of Research Resources, the only program in this country whose mission it is to make available such equipment, has been grossly underfunded.

This committee has recognized that. In fact, this last year, in the appropriations process, in S. Rept. 97-268, it requested that the NIH conduct a study on the magnitude of the problem of shortages in research equipment and instrumentation in the biomedical research community.

And I just would like to end up by citing the two key suggestions made by the NIH in response to this request. And which our association fully supports. And they are items 3 and 4 on my fact sheet.

One, that an additional $20 million per year, $20 million per year for 5 years is required to replenish the Nation's biomedical research community's needs for medium-priced instrumentation shared on an institutional basis; and second, that the biotechnology resources program requires an additional $5 million increment per year for each of the next 5 years to establish and renew high technology state of the art instrumentation so costly that it is shared on a regional or national basis.

I mentioned before one field of research which this country has lost the edge in, and I just wanted to leave this photograph with you, which is basically how nuclear magnetic resonance, which is the field I work in, has now moved out of the laboratory and is used for clinical diagnostic medicine.

It shows great promise far and above the capabilities which exceed the best X-ray/Cat-scanning techniques.

Senator RUDMAN. What was the field again, doctor?

Dr. NEURINGER. Nuclear magnetic resonance, NMR is the acronym for it.

Senator RUDMAN. Your appearances I know are limited because of our time constraints. Be assured that your full testimony will be read and ample consideration given to your appearance here.

STATEMENT OF DR. BERNADINE HEALY BULKLEY

Dr. BULKLEY. I'm Bernadine Healy Bulkley, associate professor of medicine at Johns Hopkins and chairman of the Public Policy Committee of the American Federation for Clinical Research (AFCR). I am a physician who teaches, cares for patients, and conducts research in cardiovascular disease.

My organization, the AFCR, is the largest clinical research organization in the United States, comprised of over 10,000 physician researchers. Our interest in public policy relates to biomedical research, and our special focus is on young physicians embarking on and becoming established in research careers.

It is our firm belief that the entire national research enterprise depends upon the continuing infusion of young, bright, and creative physicians into the research manpower pool. We further believe that without adequate and stable research support of new investigators and new ideas, the national research effort will be crippled not only in terms of lost research ideas but in terms of future research manpower. These are our two major areas of concern.

First, investigator-initiated grants in the extramural NIH program are the primary support for research of young investigators. These grants, commonly known as RO1's and PO1's, are the mechanisms whereby NIH funds new basic research. Without a strong extramural program that provides an adequate number of new investigator-initiated grants each year, the flow of new basic knowledge will be curtailed and the talents of productive and promising researchers will be diverted into other fields.

For fiscal year 1983 the administration has proposed a budget which will provide $1.4 billion continuing support for ongoing projects and $492 million for new awards. Funding at this level will mean sharp declines in the quantity of new science, as it will support approximately 3,500 awards as compared to about 6,000 in 1979 and 4,800 in 1982.

By reducing institutional and indirect cost reimbursement by 10 percent, 4,100 awards can be granted. But the reality is that the administration budget reduces support for new and competing grants by 30 percent. Support for investigator-initiated research conducted in our medical schools cannot be created simply by shifting millions of dollars in costs to the universities, which are already themselves seriously strapped financially.

Indirect cost formulas are calculated according to strict federal guidelines and are real expenses in research efforts that our universities have mounted at the behest of the Federal Government. To cut indirect costs below that which Federal auditors recognize to be a true cost would undercut the institutional base which supports our biomedical research.

One way or another, if either grants are reduced to the level of 3,500 or indirect cost reimbursement is capped arbitrarily at 90 percent, biomedical science will suffer, and suffer substantially.

What are the consequences of such a severe reduction in support for research grants?

The reduced figure of $492 million means an enormous amount of high-quality research will not be done. Only about one out of every five research proposals which are approved by the NIH on the basis of merit will be funded.

Competition for funding at such an intense level strains the system that supports research. It's highly intimidating to new investigators and serves to encourage young physician researchers to pursue other career paths. Any aspiring physician investigator knows that his or her first research proposals will have to be at near-genius levels in order to compete in such a climate.

Although it's difficult to estimate precisely, this means roughly 2,000 or 3,000 investigators will be lost to the research enterprise in 1 year alone. Once these young investigators leave the system, the vast majority will never return.

Furthermore, if you can accept for the sake of discussion that each of these researchers will have pursued roughly 30 new ideas in his or her career, probably a conservative estimate, the number of new ideas that will not be explored approaches 100,000.

The AFCR's recommendation to the subcommittee asks that the cap be rejected and the budget for extramural research be increased by $210 million. This would provide for 5,000 new and competing awards in fiscal year 1983.

The second and final area that the NIH budget raises as well is in research training. The program was cut this past year and is scheduled for further reductions. If the President's budget is accepted, institutional allowances will continue to be paid at the 50-percent level and the number of trainees will fall from the recommended 10,975 to 8,900.

This number of trainees is far short of the number of biomedical researchers we should be training to meet future needs as estimated by the National Academy of Sciences. The Nation already faces a severe shortage of physician researchers, and a continuing decline will seriously jeopardize our future ability to conduct research.

The AFCR recognizes the need for Federal cuts in spending at the present time. But we believe that it is particularly crucial that reductions be made without wastage of a 30-year national, very successful investment in medical research, an investment which is part of our national security.

The AFCR strongly urges the subcommittee to examine the consequences for continued advancement in medical technology in this country if the 30-percent reduction in the support for new and competing grants is sustained.

Thank you.

Senator RUDMAN. Thank you very much. Our final witness is Dr. Andrew Rowan.

STATEMENT OF DR. ANDREW N. ROWAN

Mr. ROWAN. Thank you. Mr. Chairman, I am Andrew Rowan, Director of Laboratory Animal Welfare for the Humane Society of the United States. We welcome this opportunity to testify on behalf of the millions of animals used every year in biomedical research. While we do not oppose the legitimate use of animals for essential research, we strongly disagree with the National Institutes of Health on what is necessary and over their animal welfare policies.

We were pleased to note from NIH testimony that efforts are being made to improve the policies on animal research, and that a new program on biomedical research model development will be exploring the concept of alternatives to laboratory animals. However, we believe that NIH should be required to be more explicit and should do more.

This committee is doubtless aware of the depth of public concern over animal research and testing and of the widespread desire among your constituents to reduce society's dependence on animal research and testing. Many scientists also share this desire which makes it all the more surprising that NIH should not have taken more positive action. We would like to suggest two very specific initiatives which could be instituted immediately.

Proposal 1. The Division for Research Resources should make plans to cut back the funds provided to the seven primate research centers. We suggest that the Delta Primate Center in Louisiana be closed down and that the other primate centers be given instructions to recover a larger portion of their core support from outside research grants. The funds made available by this cutback should then be allocated specifically to the search for and development of alternatives via the biomedical research model development program. Scientists with a demonstrated interest in the topic should be invited to participate.

The primate research centers (PRC's) now receive a disproportionate share—over 70 percent—of the funds allocated to laboratory animals, despite the fact that primates account for less than one-thousandth of all animals used in the laboratories. Furthermore, the centers have repeatedly been criticized for failing to meet their stated goals. In 1971, the primate research centers were assessed by a British group who were seeking information to determine whether Britain should set up a primate center for its own research needs. The final report, stemming from the investigation, noted that, "The amount and quality of work emerging from the NIH-sponsored programs does not appear to justify the great expense incurred." The report was not critical of all U.S. centers—it also noted that a service-oriented primate facility in New York (LEMSIP) gave excellent value for money while running on a fraction of the budget of the regional centers.

In 1976, the whole mission of the DRR was reviewed by a panel of experts, including the director-designate of the NIH. The panel reported that one of the primate centers had developed the PRC concept in an exemplary fashion but that the other six ranged from moderately good to poor in their overall performance. The panel noted that the PRC's have not produced research of a uniformly high quality, that the majority of the centers did not provide adequate opportunities for research and training to outside scientists—as required by the stated goals—and that few of the PRC's were responsive to the need to become self-sufficient in primate supply. Three years later, another DRR-funding review of the PRC's noted that their use by outside scientists had declined further and that the centers have not, "in general, achieved the reputation as being 'the place to be' in the scientific community." In view of the criticisms voiced over the past decade, it is extraordinary that the PRC program should not have undergone major change, especially considering the fact that it is relatively expensive.

Appropriations for the PRC's could be cut without affecting good quality science. Scientists at the PRC's should merely be instructed to recover the full costs associated with their research. At the moment, they are being subsidized by the core support provided via the primate research center program and thus have an unfair competitive advantage when applying for additional grants. It should be noted that, in 1976, the PRC directors opposed the idea of recovery of full costs because it was felt it would lead to morale problems. It also leads to substandard research, as the 1976 review found.

The 1976 review of the DRR overall mission and effectiveness also found that, "None of the stated program objectives explicitly embraces the functions of conceiving and creating resources." This function was presented as a major objective of DRR. We agree and think that they should be doing much, much more to develop alternatives and to support the necessary resources such as cell science centers and research model reviews to identify promising areas for interdisciplinary cross-fertilization and research. In addition, the money going into these programs comes from the pocket of the taxpayer, substantial numbers of whom would like to see direct and explicit support for alternatives. Such action could be taken if NIH personnel were more imaginative and less hidebound by tradition.

We thus propose that the money saved on the PRC program—30 percent savings should be possible in the first year—should be allocated specifically to the development of alternatives.

Proposal 2. The national toxicity program has been directed as part of its mission, to develop and validate new test methods. We propose that 30 percent of the funds for rodent bioassays and general toxicology immediately be reallocated to the search for new test methods. The guidelines for the development of new methods should include the need to reduce animal suffering—poisoning almost inevitably leads to suffering—as well as the need for quicker and cheaper test methods.

There are over 40,000 man-made chemicals in the human environment today and fewer than 10 percent have been thoroughly tested. In addition, we are adding 500–1,000 new chemicals to that list every year. We do not have the resources and facilities to test thoroughly the new chemicals, let alone those that are already in our environment. A full scale test for just one chemical, using the crude and expensive animal methods that are currently approved, costs more than $1 million. It is clear that we have to seek new techniques and that we must give this search high priority.

In 1976, four toxicologists published a letter in Science [Vol. 193, p. 834] in which they made several relatively specific suggestions about possible alternative systems. They proposed that:

> * * * a team of expert toxicologists and scientists from related fields should be assembled to evaluate existing technology and identify a battery of the most predictive screening tests, including in vitro systems, animal models, and chemical behavior. A combination of quick tests could replace the conventional protocols, whereas any single test might not. This team could perform cost-benefit analyses and estimate how much, if any, sacrifice of confidence would result from using a battery of screening tests at this time. Use of a combination of screening tests might allow a 10-fold reduction in cost and a 5-fold reduction in time for toxicological testing. We would expect little or no sacrifice of safety, since most of the tests tend on the side of false positives. Standard methods could still be employed if indicated by the screening results.

Six years later, the national toxicology program is certainly developing and validating short-term tests for the detection of carcinogens and mutagens but they are not directing sufficient attention to the idea of alternatives or to the development of a new paradigm in toxicology, based to a much greater extent on sensitive non-animal techniques.

We therefore propose that, in order to satisfy public demands for cheaper tests, safer tests, and tests involving less animal suffering, the national toxicology program reallocate at least 30 percent of the funds available for rodent bioassays and general toxicology to the specific search for and development and validation of alternative techniques. This funding should be in addition to the funds—approximately 10 percent of the total budget—already allocated to the development and validation of short-term in vitro tests for carcinogens.

We recognize that the bioassay program is important for public safety but also believe that the public interest—in greater safety and concern for animal welfare—is better served by devoting resources to the development of new methods rather than straining crude animal tests to perform tasks for which they are not suited. Our dependence on animal testing is a direct measure of our ignorance of toxicological mechanisms and it is time to move away from the empirical cook-book routines of standard toxicology to a new era of quicker, cheaper, and more humane tests. Thank you, Mr. Chairman.

Senator RUDMAN. Thank you, Dr. Rowan, and thank you all for your testimony. Your prepared statements will be inserted in the record at this point.

[The statements follow:]

STATEMENT OF DR. NORMAN H. ALTMAN

Thank you for the opportunity of appearing before this committee to testify on behalf of the Division of Research Resources (DRR), Laboratory Animal Sciences and Primate Research budget requests. As president of the American College of Laboratory Animal Medicine, I represent the individuals who are responsible for providing professional supervision and support of those NIH research programs which use animals.

Dr. Hunt has already described the Primate Research Centers and their unique roles in biomedical research: I will focus on the remainder of the Animal Resource Program and briefly describe its objectives, goals and needs for the future.

The primary objectives of the Animal Resource Program are to support broadly based programs that provide or assist scientists to use animals in human health related research. To demonstrate the size of this task, I would like to direct you to TABLE I. Approximately 83% of the NIH budget is used to fund extramural research programs and approximately 50% of these programs use animals in their research activities. The 1983 NIH budget request would provide over $1.5 billion for these animal related research activities.

Congress recognizes the importance of providing high quality humane care to research animals. The Animal Welfare Act 89-544 as ammended (91-579, 94-279) established minimum standards for animal care and use. NIH recognizes these as well as additonal requirements. It has published: A Guide for the Care and Use of Laboratory Animals (DHEW Publication (NIH) 78-23), National Cancer Institute Safety Standards for Research Involving Chemical Carcinogens (DHEW Publication (NIH) 75-900), and National Cancer Institute Safety Standards for Research Involving Oncogenic Viruses

(DHEW Publication (NIH) 78-790) to name but a few of the official documents on animal care and use. The nation's animal facilities suffer from two types of obsolescence, legislated obsolescence and technological obsolescence. Legislated obsolescence is produced by federal animal welfare legislation and its regulations and by N.I.H. guidelines which are frequently interpreted as standards or regulations. Technological obsolescence is brought about by scientific advancement which necessitates containment and more sophisticated husbandry requirements. Fewer animals are being used in research but they are kept for longer periods of time which requires a higher level of environmental control. Animals like man are susceptible to many naturally occuring diseases. It is important that research on these diseases is funded in order to identify important animal models of human disease and to improve the quality of medical care provided to research animals. Dr. William Raub, NIH Associate Director for Extramural Programs testified at recent congressional hearings on the NIH position on this subject and Dr. Thomas Malone, Interim NIH Director spoke at the "First Conference on Scientific Perspectives in Animal Welfare". The basis of the NIH positon is that selection, care, use and monitoring of animal research must be improved. Newspaper articles and letters to congress and NIH officials all attest to the high level of public concern in this area. In summary, we can see that Congress, the Federal Funding Agencies, the research community and the public all recognized the necessity for improvements in animal care and use.

A brief examination of the legislative and funding history for basic animal resources demonstrates a poor record. While total DRR funding has remained level at 12% of the total NIH Extramural Budget using animals (TABLE I, 2B), there has been a steady decrease in animal resource funding (TABLE I, 3B). In the past five years (1978-1982) there has been a 35% reduction in animal resource funding as related to the overall NIH Extramural Budget (TABLE I, 3C). With inflation averaging 10% per year during this period, the real reduction is closer to 80%. Do not be misled by the number of applications submitted to the Animal Resources Program as an indication of the needs throughout the county. Frustration over the lack of funds inhibits many institutions from proceeding with the time consuming and costly tasks of preparing applications. I have visited over 50 educational and research institutions during the past nine years and unfortunately I must tell you that insidious decay is present throughout the system.

If as professionals we are to fulfull our obligations to federal funding agencies, to the research community and to the public, then Congress must act decisively. Replacement facility construction and improvements in the older facilities are essential. While, I fully recognize the budgetary constraints we are all under, the small absolute dollar increase that I am recommending will be magnified many fold by improving the quality of biomedical research programs, decreasing the costs of this research by increasing efficiency, and most importantly, providing high quality state-of-the-art humane care to research animals. This shared funding approach will stimulate much needed improvements at many institutions.

I make the following specific recommendations:

1. The overall Laboratory Animal Sciences and Primate Research budget be restored to the level recommended in the DRR 5 year plan, 18.7%. This would amount to $35,721,000 in fiscal year 1983.
2. The congress enact a SPECIAL 5 YEAR animal facility improvement and construction program funded at $35,000,000 a year. This program would be based on the following criteria:
    A. The grantee institution provide matching funds on the basis of $1 of institution funds per $2 of federal funds.

B. A maximum allowable grant of $1,000,000 be awarded to any single institution.

C. That 25% of the funds be earmarked for existing facility improvements and not new construction.

D. The facility improvement or construction request must address the animal care and use programs for the entire institution and not as separate administrative units. For example, a university must consider its campus wide needs and not separately those of the medical school, dental school, liberal arts school, etc.

Token funds have been available for the past several years for facility improvements; however, there were only 4 awards granted in 1980, 2 in 1981 and there will be NONE in 1982 due to a lack of funding. NIH studies have shown that more than 38% of the nonprofit biomedical research institutions throughout the country need to upgrade their animal facilities in order to further protect the integrity of experiments and to meet current legislative and technicological standards. These surveys put the current immediate need for new facility construction at $350 million. I am requesting a modest 10% of that figure as seed money to begin the large task before us.

In summary, thank you for the opportunity to discuss this important issue. Both the Congress and the biomedical community have technological, legal, ethical and moral responsibilities to consider using living animals in research. This solemn trust requires us to act prudently. Enactment of the budget request as modified will demonstrate our willingness to carry out our obligations and the public trust which we hold.

TABLE I

COMPARISON FUNDING
(DOLLARS IN THOUSANDS)

	1978 Actual	1979 Actual	1980 Actual	1981 Actual	1982 Est.	1983 Est.
1. NIH BUDGET	2,842,936	3,189,976	3,428,935	3,569,406	3,640,186	3,748,771
A. NIH Extramural Budget (83%)	2,359,636	2,647,680	2,846,016	2,962,607	3,021,354	3,111,479
B. Extramural Budget Using Animals	1,179,818	1,323,840	1,432,008	1,481,303	1,510,677	1,555,739
2. DIVISION OF RESEARCH RESOURCES						
A. Total Funding	145,095	154,162	169,196	175,627	184,177	191,024
B. As a % of Total NIH Extramural Budget Using Animals	12.3	11.6	11.8	11.8	12.2	12.3
3. LABORATORY ANIMAL SCIENCES AND PRIMATE CENTERS						
A. Total Funding	23,010	23,636	24,680	24,933	26,061	26,526
B. As a % of Total DRR Budget	15.9	15.3	14.6	14.2	14.2	13.9
C. Laboratory Animal Science (Not incl. Primate Centers.	8,492	8,415	8,438	7,715	7,726	7,367
As a % of NIH Extramural Animal Research Budget	.72	.63	.59	.52	.51	.47

DIVISION OF RESEARCH RESOURCES
MULTIYEAR (1982-86) ALLOCATION ESTIMATES
ACCORDING TO PROGRAM AREA
(1981 dollars in thousands) 1/

18.7%

Program Area	Intervening Period				FIVE-YEAR PLAN PERIOD									
	1980		1981		1982		1983		1984		1985		1986	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Animal Resources...........		$ 24,569		$ 25,802		$ 41,577		$ 52,562		$ 63,902		$ 74,677		$ 86,110
Biotechnology Resources....		17,258		18,908		23,701		31,332		38,698		48,381		58,271
Biomedical Research Support		47,516		47,146		62,078		76,180		94,648		115,309		139,971
General Clinical Research Centers..................		56,335		59,636		75,840		87,651		99,978		113,291		128,199
Minority Biomedical Support		18,089		16,817		27,304		33,330		40,227		41,017		45,486
Subtotal - Program......		163,767 15.0		168,309 15.3		230,050 18.1		281,055 18.1		337,453 17.9		392,675 19.0		458,037 18.8
	Pos.		Pos.		Pos.		Pos.		Pos.		Pos.		Pos.	
Direct Operations..........	50	4,284	50	4,367	72	5,685	72	6,203	73	6,767	73	7,383	73	8,055
Program Management.........	28	1,148	28	1,202	35	1,518	35	1,656	35	1,806	35	1,971	35	2,150
GRAND TOTAL.............	78	$169,199	78	$173,878	107	$237,703	107	$288,914	108	$346,026	108	$402,029	108	$468,242

1/ The future years (1982-86) are expressed in 1981 dollars and reflect an estimated 9.1 percent inflation factor.

STATEMENT OF RONALD D. HUNT

I am Ronald D. Hunt, Director of the New England Regional Primate Research Center. It is a privilege to appear before you as the representative of the seven regional Primate Research Centers.

Congress created the Primate Centers Program over two decades ago. Your wisdom in establishing this long-term program showed imagination and forethought. The seven Centers comprise one of the most unique and valuable resources of this Nation. The concept put forth by Congress has proven itself. The biomedical research programs conducted by the Centers' professional staffs, and the scores of scientists from literally hundreds of institutions across the Nation which rely on the Centers' resources, have made important advances toward solving National health problems.

Many millions of dollars of N.I.H.-supported research are dependent upon the Primate Centers. At the New England Center alone there are currently 106 investigators whose programs are conducted in part at the Center. These individuals come from 39 different institutions to include Yale University, Brown University, Mount Sinai School of Medicine, Tufts University, Boston University, and our own host institution, Harvard University.

You may or may not be aware that many non-human primates are of vanishing species. Expansion of communities and deforestation of thousands of acres annually for agriculatural needs is slowly destroying these animals' natural habitat. Without a coordinated scientific approach to conserve these unique animals and to breed them in this and their native countries, they may be lost forever. The long-term effect of their loss on our understanding of diseases of human beings and our Nation's health care budget can only be guessed at, but I assure you, will be significant. Primates are the ideal model available to researchers to bridge the gap between animal and man. In physiology, anatomy, diseases and behavior, the non-human primate is the closest living analog of man. They are, without question, indispensable to our studies and ultimate understanding of cardiovascular disease, cancer, drug addiction, mental retardation, blindness, chronic debilitating diseases of the brain such as multiple sclerosis, aging, and the problems of nutrition affecting the health of this Nation.

Congress created this successful program over two decades ago, but Congress has not paid significant attention to the program since then. The cost of construction of the seven Centers was paid from Federal appropriation. Administered by some of the most respected Universities in our country, these are Federally owned buildings. The physical facilities of all seven Centers are in urgent need of renovation. Age and heavy use have taken their toll. In trying to reach self-sufficiency in our supply of the animals, we now house some three times the original populations the buildings were intended to hold, in the best temporary accommodations we can manage.

This is not the time to seek expansion of Federally supported programs, and I am not making such a request. We must, however, initiate a program to maintain what we have created and what is recognized as an essential component of the country's biomedical research program.

Let me briefly comment on the Centers' budget. Firstly, it is a component of the Animal Resources Branch budget of the Division of Research Resources of the National Institutes of Health. The President's request calls for a Primate Centers Budget of $18,686,968.00. This in itself will necessitate a reduction in effort. It is very important to understand the nature of this appropriation. It is not an especially large figure for seven centers but when you realize that the figure includes all costs including indirect costs, the effective amount to the research effort is just about half the total -- roughly $10-$11 million. Indirect costs are part of the appropriation and not a separate negotiable item as is the case with the usual government grants system. The appropriation for Primate

Centers includes costs for heat, light, maintenance, financial management, security, and administration.

The needs of the Centers include replacement of sewer and water lines, replacement and repair of boilers and air handling equipment, modifications to improve energy efficiency, resurfacing of roads, new roofing, renovation of animal facilities to meet Federal guidelines for animal care, as well as replacing worn out or obsolete equipment essential to operation of a research resource. The cost of this program, established by a recent critical review, is $14,202,132 which we are requesting Congress to appropriate over the next 4 years ($3,550,533 per year).

Maintenance of facilities is cost effective, whether you are speaking about your own home or a Federal building. If we don't act now, it is going to cost a great deal more later. When you consider the potential impact on our progress in the reduction and elimination of disease, acting now will eventually bring about savings of untold millions of dollars as the past has proved. The development of the polio vaccine and the essential elimination of a disease which cost the country dearly is a good example, and an example that was dependent on non-human primates.

Statement of Andrew N. Rowan

I am Andrew Rowan, Director of Laboratory Animal Welfare for the Humane Society of the United States. We welcome this opportunity to testify on behalf of the millions of animals used every year in biomedical research. While we do not oppose the legitimate use of animals for essential research, we strongly disagree with the National Institutes of Health on what is necessary and over their animal welfare policies.

We were pleased to note from NIH testimony that efforts are being made to improve the policies on animal research (Statement by Acting Director Dr. T. Malone), and that a new program on Biomedical Research Model Development will be exploring the concept of alternatives to laboratory animals (DRR testimony). However, we believe that NIH should be required to be more explicit and should do more.

This committee is doubtless aware of the depth of public concern over animal research and testing and of the widespread desire among your constituents to reduce society's dependence on animal research and testing. Many scientists also share this desire which makes it all the more surprising that NIH should not have taken more positive action. We would like to suggest two very specific initiatives which could be instituted immediately.

PROPOSAL 1. The Division for Research Resources should make plans to cut back the funds provided to the seven Primate Research Centers. We suggest that the Delta Primate Center in Louisiana be closed down and that the other Primate Centers be given instructions to recover a larger proportion of their core support from outside research grants. The funds made available by this cutback should then be allocated specifically to the search for and development of alternatives via the Biomedical Research

Model Development program. Scientists with a demonstrated interest in the topic should be invited to participate.

Discussion

The Primate Research Centers (PRC's) now receive a disproportionate share (over 70%) of the funds allocated to laboratory animals, despite the fact that primates account for less then 1/1000th of all animals used in the laboratories. Furthermore the Centers have repeatedly been criticized for failing to meet their stated goals. In 1971, the Primate Research Centers were assessed by a British group who were seeking information to determine whether Britain should set up a Primate Center for its own research needs. The final report, stemming from the investigation, noted that "the amount and quality of work emerging from the NIH-sponsored programmes does not appear to justify the great expense incurred." (Medical Research Council Report, UK, 1976). The report was not critical of all U.S. centers - it also noted that a service-oriented primate facility in New York (LEMSIP) gave excellent value for money while running on a fraction of the budget of the regional Centers.

In 1976, the whole mission of the DRR was reviewed by a panel of experts, including the Director-designate of the NIH. The panel reported that one of the primate centers had developed the PRC concept in an exemplary fashion but that the other six ranged from moderately good to poor in their overall performance. The panel noted that the PRC's have not produced research of a uniformly high quality, that the majority of the centers did not provide adequate opportunities for research and training to outside scientists (as required by the stated goals) and that few of the PRC's were responsive to the need to become self-sufficient in primate supply. Three years later, another DRR-funding review of the PRC's noted that their use by outside scientists had declined further and that the Centers have not, "in general, achieved the reputation as being 'the place to be' in the scientific community." In view of the criticisms voiced over the past decade, it is extraordinary that the PRC program should not have undergone major change, especially considering the fact that it is relatively expensive.

Appropriations for the PRC's could be cut without affecting good quality science. Scientists at the PRC's should merely be instructed to recover the full costs associated with their research. At the moment, they are being subsidized by the core support provided via the Primate Research Center program and thus have an unfair competitive advantage when applying for additional grants. It should be noted that, in 1976, the PRC Directors opposed the idea of recovery of full costs because it was felt it would lead to morale problems! It also leads to substandard research, as the 1976 review found.

The 1976 review of the DRR overall mission and effectiveness also found that "none of the stated program objectives explicitly embraces the functions of conceiving and creating resources." This function was presented as a major objective of DRR. We agree and think that they should be doing much, much more to develop alternatives and to support the necessary resources such as cell science centers and research model reviews to identify promising areas for interdisciplinary cross-fertilization and research. In addition, the money going into these programs comes from the pocket of the taxpayer, substantial numbers of whom would like to see direct and explicit support for alternatives. Such action could be taken if NIH personnel were more imaginative and less hidebound by tradition.

We thus propose that the money saved on the PRC program (30% savings should be possible in the first year) should be allocated specifically to the development of alternatives.

PROPOSAL 2. The National Toxicity Program has been directed as part of its mission, to develop and validate new test methods. We propose that 30% of the funds for rodent bioassays and general toxicology immediately be reallocated to the search for new test methods. The guidelines for the development of new methods should include the need to reduce animal suffering (poisoning almost inevitably leads to suffering) as well as the need for quicker and cheaper test methods.

Background

There are over 40,000 man-made chemicals in the human environment today and fewer than ten percent have been thoroughly tested. In addition, we are adding 500-1000 new chemicals to that list every year. We do not have the resources and facilities to test thoroughly the new chemicals let alone those that are already in our environment. A full scale test for just one chemical, using the crude and expensive animal methods that are currently approved, costs more than $1 million. It is clear that we have to seek new techniques and that we must give this search high priority.

In 1976, four toxicologists published a letter in Science (Vol. 193, pg 834) in which they made several relatively specific suggestions about possible alternative systems. They proposed that:

> "..a team of expert toxicologists and scientists from related fields should be assembled to evaluate existing technology and identify a battery of the most predictive screening tests, including in vitro systems, animal models and chemical behaviour. A combination of quick tests could replace the conventional protocols, whereas any single test might not. This team could perform cost-benefit analyses and estimate how much, if any, sacrifice of confidence would result from using a battery of screening tests at this time. Use of a combination of screening

> tests might allow a ten-fold reduction in cost and a five-fold reduction in time for toxicological testing. We would expect little or no sacrifice of safety, since most of the tests tend to err on the side of false positives. Standard methods could still be employed if indicated by the screening results."

Six years later, the National Toxicology Program is certainly developing and validating short-term tests for the detection of carcinogens and mutagens but they are not directing sufficient attention to the idea of alternatives or to the development of a new paradigm in toxicology, based to a much greater extent on sensitive non-animal techniques.

We therefore propose that, in order to satisfy public demands for cheaper tests, safer tests and tests involving less animal suffering, the National Toxicology Program reallocate at least 30% of the funds available for rodent bioassays and general toxicology to the specific search for, and development and validation of alternative techniques. This funding should be in addition to the funds (approximately 10% of the total budget) already allocated to the development and validation of short-term in vitro tests for carcinogens.

We recognize that the bioassay program is important for public safety but also believe that the public interest (in greater safety and concern for animal welfare) is better served by devoting resources to the development of new methods rather than straining crude animal tests to perform tasks for which they are not suited. Our dependence on animal testing is a direct measure of our ignorance of toxicological mechanisms and it is time to move away from the empirical cook-book routines of standard toxicology to a new era of quicker, cheaper and more humane tests.

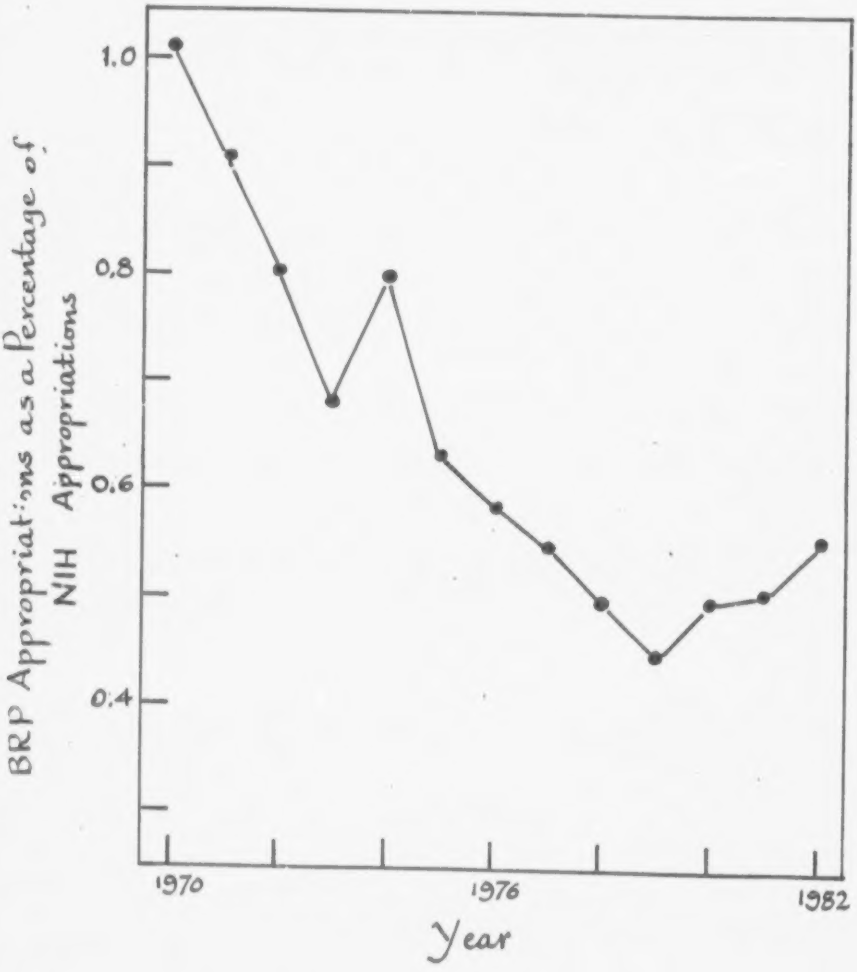
STATEMENT OF DR. LEO NEURINGER

I am Dr. Leo Neuringer, Director of the High Field Nuclear Magnetic Resonance Resource at the Massachusetts Institute of Technology and a member of the Steering Committee of the Association for Advanced Technology in Biomedical Sciences. I appear before you as spokesman for a group of basic scientists working on the development of new methodology and new large, state of the art, shared instruments for biomedical research. The primary focus of our Association is on the exciting opportunities which exist for new technology in support of the biomedical sciences - that is, for medical science and medical practice to benefit from the rapid advancement of technology based on discoveries and developments in the physical sciences.

Instrumentation, as you well know, defines the cutting edge of experimental science. Scientists invent their own tools of discovery, quickly incorporating new phenomena into new instrumentation with which to press forward the search. Concurrently, the new analytical principles are reversed to provide new tools for clinical diagnosis. Thus yesterday's nuclear magnetic resonance (NMR) spectrometer becomes tomorrow's NMR whole body scanner. The dynamics of the concurrent advances in scientific instrumentation and biomedical science lies at the heart of the American success story in both arenas. Unhappily, this process is no longer as healthy in the United States as it once was.

Many types of modern instrumentation and technology are essential to the rapid progress of medical science - including computers, synchrotron radiation facilities, million volt electron microscopes, nuclear magnetic resonance spectrometers and others, but are too costly to be given to individual investigators through the mechanism of categorical research grants. Rather, they require the establishment of shared instrumentation facilities to which many investigators have access, on a regional or national basis. The services and data provided by shared facilities are worth many millions of dollars to the community of biomedical scientists using the facilities and through them to society as a whole. It should be recognized that the numerous channels of information and cross-fertilization which flow out of a central, shared facility are enormously valuable, especially since the individual investigator enjoys the advice and guidance of experienced personnel at the facility. .

The Biotechnology Resources Program of the Division of Research Resources, operating successfully since 1962, has demonstrated the validity of the concept of shared regional or national instrumentation resources. This program concentrates on the application of the physical sciences, mathematics, and engineering to biology and medicine. Ultrasophisticated instruments, the latest state-of-the-art methods, and expert support personnel provided by the program in installations open to many users help life scientists in their efforts to decipher fundamental biological processes or combat human illness. It is the only such program in this country. These instrumentation facilities have capabilities which cut across the interests of the categorical institutes. The Biotechnology Resources Program has been singularly successful and has served as a model. However, the support it has been receiving within the NIH has not been adequate to its mission. As the attached figure shows it has failed to keep pace with the growth of the NIH. In fact, it has shown a decline in terms of dollars corrected for inflation over the last decade.



On behalf of our Association, I wish to express our deep appreciation to you for the strong and continuous support you have given to biomedical research over many years. Your awareness of important issues of underfunding in certain areas of research has been made clear time after time.

This awareness was manifested once again this last year in the appropriations process when this Committee requested, in Senate Report No. 97-268, that the NIH conduct a study on the magnitude of the problem of shortages in research equipment and instrumentation in the biomedical research community. The need for shared research resources was identified as a means of controlling the costs of the complex technology required to advance biomedical research.

This Committee and the NIH, by way of their report to you, recognize the critical role played by the development of new instrumentation and research resources in biomedical science.

The report from NIH responds to the need for new instruments in two ways:

1. The present obsolete state of biomedical instrumentation must be refurbished by means of a $20 million a year, five year program. This program will emphasize modern shared instruments that are used by a group of investigators within a single institution. Local control of these instruments will be emphasized to eliminate excessive red tape.
2. The Biotechnology Resources Program to develop shared research resources must be expanded. This program's funding will be incremented by $5 million a year over a five year period, more than doubling its size. This expansion is needed to support and encourage the development of needed new, state of the art instruments capable of probing the complex mysteries of the molecular and genetic basis of disease.

The first program invests in the nation's instrumentation base. The second program invests in the nation's scarce pool of scientists who specialize in the creation of new instruments and the development of new methodologies. The accomplishments of the second program will provide the instrumentation base for the future. Both programs are desperately needed and should help to rejuvenate the status of biomedical instrumentation.

Last summer a Workshop on Technology in Support of Biomedical Research was held at Johns Hopkins University which was attended by the nation's leading scientists in biomedical technology. The importance of the development of tools for biomedical research was underscored there and a number of practical recommendations presented.

In summary I wish to emphasize three points:

- Advances in biomedical technology create new opportunities for medical research and practice.
- Instrumentation for biomedical science is in a state of disrepair.

o The increasing cost and complexity of biomedical technology requires the sharing of resources for the development, use and enhancement of biomedical instrumentation.

Thank you. I will be pleased to answer any questions you may have.

FACT SHEET

1. New measures are urgently required to break the national crisis in the decline of the quality, quantity and development of scientific research instruments.
2. The needs, costs and sophistication of these instruments has increased dramatically over the past decade while the purchasing power of the NIH Division of Research Resources has declined steadily, especially for funding shared instrumentation.
3. An additional $20 million per year for five years is required to replenish the nation's biomedical research community's needs for medium priced instrumentation shared on an institutional basis.
4. The Biotechnology Resources Program requires additional $5 million increments per year for each of the next five years to establish and renew high technology, state of the art instrumentation so costly that it is shared on a regional or national basis.

STATEMENT OF DR. BERNARDINE HEALY BULKLEY

I am Bernadine Healy Bulkley, Associate Professor of Medicine at the Johns Hopkins University School of Medicine and Chairman of the Public Policy Committee of the American Federation for Clinical Research. I am a physician and in addition to my teaching and patient care responsibilities at the university, I am actively engaged in research in the area of cardiovascular disease.

The organization which I am representing today--the AFCR--is the largest clinical research organization in the United States and is comprised of over 10,000 physician researchers. Our interests in the public policy areas range across all issues related to the conduct of clinical research, but our unique focus is on young physicians who are embarking on and becoming established in research careers. It is our firm belief that the entire national research enterprise depends upon the continuing infusion of young, bright and creative physicians into the research manpower pool. We further believe that without adequate and stable research support of the new generation of investigators, the national research effort will be seriously jeopardized--not only in terms of lost research ideas but in terms of future research manpower.

Because of AFCR's broad concerns about clinical research, I will concentrate today on two aspects of the NIH budget that are most crucial to present and future research productivity--investigator-initiated grants and research training.

Investigator-initiated grants in the extramural program are the primary source of support for the research of young investigators. These grants, commonly known as R01s and P01s, are the mechanism whereby NIH funds highly innovative basic research. R01s and P01s represent, in a sense, a national investment in the ideas of our most brillant and creative scientists. Without a strong extramural grant program that dependably provides an adequate number of new investigator-initiated grants each year, the flow of new basic medical knowledge will be sharply curtailed and the talents of our next generation of productive and promising reseachers will be diverted to other fields of endeavor.

With that background, I would like to review current trends in the extramural grant program. For FY 1983, the Administration has proposed a budget of 1.9 billion dollars which represents approximately half of the total NIH budget. This amount of funding will provide 1.4 billion dollars of continuing support for on-going projects and 492 million dollars for new awards. Funding at this level will mean sharp declines in the quantity of new science that can be funded and the number of new investigators that can be supported. This influx of new young investigators is absolutely critical if the vitality of the medical research effort in this country is to be sustained.

In terms of numbers of new and competing grants, 492 million dollars will support approximately 3,500 awards--as compared to about 6,000 in 1979 and 4,800 in 1982. As you know, the Administration agreed that the 3,500 level for new and competing grants was unacceptable and devised a plan to increase the numbers of grants that can be funded by reducing institutional indirect cost reimbursement by 10%. Thus, the Administration's budget projects that 4,100 awards could be made in FY 1983 but, in our opinion, this projection is merely an evasive numbers game to mask the reality that the Administration indeed plans to reduce support for new and competing grants by 30 percent. The AFCR would endorse almost any reasonable plan to make available funds for new extramural grants since we view this portion of the NIH budget to be paramount in importance. We believe, however, that it is foolhardy to accept this notion that support for investigator-initiated research conducted in our institutions can be increased simply by shifting millions of dollars in costs to the universities. Indirect cost formulas are strictly calculated according to federal guidelines and are audited by federal auditors. Indirect costs are real and legitimate expenses incurred as part of the research effort that universities have mounted at the behest of the Federal government. This proposal will erode the institutional base that supports biomedical research. As scientists who conduct this research, we can assure you that light, heat, support personnel, maintenance of laboratories, libraries, and equipment are necessary to our work. One way or another--if either grants are reduced to the level of 3,500 or indirect cost reimbursement is capped arbitrarily at 90%--biomedical science will suffer. To believe otherwise is to deceive ourselves.

The AFCR believes that this Subcommittee should be aware of the consequences of such a severe reduction of support for new and competing, extramural grants. If this portion of the budget is reduced to 492 million dollars, an enormous amount of very high quality medical science will go unfunded. Funding of 3,500 new and competing grants will mean that only about one out of five research proposals approved by NIH on the basis of scientific merit will be funded. Even if the number of new grants is increased to 4,100 by limiting reimbursement for indirect costs, only 27 percent of approved grants could be funded. Competition for funding at such an intense level has serious implications for strain on the systems that support research. Furthermore, this fierce competition would be highly intimidating to new investigators and would serve to encourage them to pursue other career paths. Any aspiring physician investigator knows that his or her first research proposals will have to be at a "near-genius" level in order to compete in a climate where less than one-third of all approved grants can be funded. Although it is virtually impossible to estimate accurately how many investigators will be lost because of the proposed budget reduction in new and competing grants, it is probable that at least two or three thousand investigators would be lost to the research enterprise in one year alone. You must recognize that once these young investigators leave the system, the vast majority will never return. Furthermore, if you assume that each of these researchers would have pursued thirty research ideas in his or her careers (probably a conservative estimate), the number of new ideas that will not be explored approaches one hundred thousand. Although this type of extrapolation is an educated guess, we believe it is a firm and reasonable estimate which presents in real terms the implications of a thirty percent reduction in the numbers of new and competing grants.

The AFCR's recommendation to this Subcommittee is that the proposal to cap indirect cost reimbursement be rejected and that the budget for extramural research be increased by 210 million dollars. This increase in funding would provide for 5,000 new and competing awards in FY 1983--a minimally acceptable level in our opinion.

The second area of the NIH budget that raises serious concerns for the AFCR is research training. The National Research Service Awards program was sharply curtailed this past year and is scheduled for further reductions in FY 1983. In

1981, NIH supported 10,700 trainees. This number fell to 9,700 in 1982 and the institutional allowances for training grants were cut by 50 percent. If the President's budget is accepted, institutional allowances will continue to be paid at the 50 percent level and the number of trainees will fall to 8,900. The National Research Council of the National Academy of Sciences has recommended that 10,975 biomedical researchers should be trained by NIH in 1983. Thus, in terms of numbers alone, 8,900 trainees falls far short of the number of biomedical researchers we should be training to meet future manpower needs. In addition, the continuing downward trend in funding for research training further discourages aspiring researchers from pursuing a research career. This Subcommittee is well aware that we already face a severe shortage of physician research manpower and a continuing decline in this field poses serious problems for our future ability to conduct clinical research. The AFCR, therefore, recommends that funding for research training be established at the authorization level of 195 million dollars in order to stabilize and strengthen our national training effort.

In addition to these major concerns, I would like to mention one additional program funded by NIH that we believe merits the attention of this Subcommittee. General Clinical Research Centers, or CRCs as they are commonly called, provide an extremely important base for the conduct of clinical research. CRCs currently support 600 inpatient beds and more than 100,000 outpatient visits per year. Over 3,000 investigators who are conducting research in virtually every clinical area currently use the 71 CRCs that are supported by NIH. Although this program has an impressive track record of acomplishments in clinical medicine, the FY1983 budget of 67 million dollars will mean that 6 of the centers will close. We view this as another example of a short-sighted approach to our national clinical research effort. Since only $3 million would be required to continue operating 70 of these well-established centers, we urge the Subcommittee to consider carefully whether this cutback is justified.

The AFCR is fully aware of the present economic crisis and the need to eliminate excesses in the Federal budget. We are also aware that although the NIH budget has not kept pace with inflation, it has fared better than many, if not most of the budgets of other Federal programs. In an era of necessary Federal retrenchment, however, we believe that it is particularly crucial that reductions are made carefully and with great discretion in order to preserve the foundation and most vital functions of important programs. Support for biomedical research and training is an investment in the future and once that support is significantly decreased, the damage is virtually impossible to repair. It is simplistic to look at the bottom line total for NIH and be satisfied with a 3 percent increase. One must look further to see that both the budget for new and competing grants and for research training are slated for real and substantial reductions in inflated dollars. There are few that would argue with the premise that investigator-intiated grants procure the most creative, fruitful, and cost-effective science that is supported by the NIH. The AFCR strongly urges this Subcommittee to examine the consequences for continued advancement in medical knowledge if a 30 percent reduction in the number of new and competing grants is sustained.

Thank you for this opportunity to share the views of AFCR with you. I would be happy to answer any questions.

HEALTH CARE FINANCING AND SOCIAL SECURITY PANEL

STATEMENTS OF:

DR. CHARLES M. WEST, SECRETARY-TREASURER, NATIONAL ASSOCIATION OF RETAIL DRUGGISTS, WASHINGTON, D.C.

JOHN P. ABBOTT, DIRECTOR, NATIONAL COUNCIL OF STATE CHILD SUPPORT ENFORCEMENT ADMINISTRATORS, SALT LAKE CITY, UTAH

JOHN R. WITHERS, SUPERVISOR, ESL/BILINGUAL PROGRAM, PORTLAND PUBLIC SCHOOLS, PORTLAND, OREG.

Senator RUDMAN. Our third group will present testimony on the Health Care Finance Administration and the Social Security Administration. We will hear testimony from witnesses of the Portland, Oreg. public schools, the National Society of Retail Druggists, and the Council of State Child Support Enforcement Administrators.

Will the members of this panel please come forward and take your seats at the table. We welcome you before the subcommittee. Your statements will be incorporated in the record in full and I would like to try to adhere to the time limitation that you have been reminded of.

I guess we could start with the gentleman on my left. If you would identify yourself and proceed?

STATEMENT OF DR. CHARLES M. WEST

Mr. WEST. Mr. Chairman, members of the subcommittee, I am Charles West of Little Rock, Ark. I serve as chairman of the NARD Third Party Payment Programs Committee and am the immediate past chairman of the NARD National Legislation and Government Affairs Committee.

The National Association of Retail Druggists (NARD) represents owners of more than 30,000 independent pharmacies, where over 75,000 pharmacists dispense more than 70 percent of the Nation's prescription drugs. Together, they serve 18 million persons daily and provide nearly 90 percent of the medicaid pharmaceutical services. NARD has long been acknowledged as the sole advocate for this vital component of the free enterprise system.

NARD members are primarily family businesses. They have roots in America's communities. The neighborhood independent druggist typifies the reliability, stability yet adventuresomeness that has made our country great.

As owners of independent pharmacies, our members are committed to legislative and regulatory initiatives designed to provide them a fair chance to compete. We especially appreciate the opportunity to appear before the subcommittee on the proposed fiscal year 1983 HHS/HCFA appropriations, especially the medicaid program.

We believe that one of the major strengths in the health care system is the thousands of independent community pharmacies readily accessible to virtually every segment of the population. Any revisions in the medicaid health care program should capitalize on the strengths of the existing retail distribution network for drugs. It provides maximum access and professional services unknown to nonprofessional Government dispensaries or mail order vendors.

In contrast to most, if not all, other medicaid services delivery systems, competition in retail pharmacies is alive and well. Not only are prescription drug prices well below the general consumer price index for the past two decades, but they are significantly lower than the index for all other medical care reimbursed by medicaid: Since 1960 CPI up for: All consumer prices, 178 percent; medical care prices, 236 percent; prescription prices, 34 percent.

We maintain this is significant evidence that our members, who are filling 70 percent of the Nation's prescriptions, have kept faith with the public and the Government. We further submit these results emphasize that American competition is still a tribute to our democracy. Competition is an incentive for efficiency and the price competition in retail pharmacies is greater than can be found among the other providers of health services.

Reagan medicaid proposals: We find the low priority assigned to the medicaid pharmacy program by the Reagan administration fiscal year 1983 HHS budget troublesome. The proposed 3 percent reduction must be rejected as short-sighted.

Even if one were to disagree with our assessment of the cost-effectiveness of this medicaid component, little savings could be realized by reductions in this area. The Congressional Budget Office, for example, in its recent "Medicaid—Choices, for 1982 and Beyond," concluded that the total medical optional services, of which drugs is only one, have had little effect on total Federal medicaid cost. If savings are to be realized they must be found in the components that have kept the medical price index, while ahead of the general consumer price index, not prescription drugs.

We commend the administration for not resurrecting the theoretical volume purchase plans like that recently terminated for inherent excessive overhead in California.

Additionally, some aspects of the 1983 proposal, which shift administrative activity to the States, seem inconsistent with the 1984 proposed swap of medicaid and the AFDC and food stamp programs.

In any case, NARD views fair competition for our products and services as essential whether or not medicaid is federalized. Medicaid could not succeed without this preventive service that helps to cut medicaid hospital, nursing home, and physician expenditures.

Pharmacy reimbursement: Today there are many problems confronting independent pharmacists serving medicaid patients.

States reimburse pharmacists on a product-cost plus dispensing-fee basis. Fees are determined by state medicaid agencies. States are required by regulations to conduct surveys of costs of filling prescriptions; but, since they are not required to use the survey data, States can establish fixed dispensing fees at whatever rate they choose. To date, fixed fees have always been below the average dispensing cost.

When States do use required surveys, it is not rare for dispensing fees to be 3 years out of date by the time increases are granted.

Further, services we provide medicaid patients are not paid for by medicaid. Services such as 24-hour emergency prescription service, free delivery, maintenance of patient profiles, and consultations are of no value where medicaid is concerned. Yet, medicaid patients expect and depend upon these services, the same as cash-paying customers. By not recognizing these services in reimbursement to the pharmacist, the medicaid agency thus relegates the medicaid recipient to the status of a second-class citizen. Additionally, States never consider reasonable profits or return on investment, for there is no compensation for the investment pharmacists have in inventories, fixtures and buildings.

Payment delay: After pharmacists fill prescriptions and submit claims to the State, they must wait for reimbursement. HCFA has promulgated regulations requiring States to pay 90 percent of all clean claims within 30 days. However, since these regulations have no enforcement provisions, when a State runs out of money, as a number of States have, pharmacists are being asked to continue underwriting the medicaid system until money becomes available. Because of a shortfall in the State of Missouri's budget, for example, pharmacists were recently reimbursed only 85 percent of the total dollar amount of their claims. Medicaid was not designed to be a charity for States. It was designed to provide health care to those families who cannot afford it and allow reasonable profits to providers of medicaid services. Considering the rate of inflation in the past decade there is no doubt that medicaid has seriously short-changed pharmacy providers.

Is there a better way? We believe there is a better way. We are in the process of analyzing the problem of overall pharmaceutical costs, not only to recipients of medicaid but to the general public as well. We have established the following criteria: (a) Any cost-reduction program should not disrupt the present cost-effective drug-distribution system which has provided our Nation the best health-care record in the world; (b) medicaid patients must not be relegated to positions of second-class citizenship by being denied freedom to select their own health-care providers and choose the sources of their prescription drugs and pharmaceutical services the same as any other citizen; (c) to be acceptable, any cost-reduction program should not discriminate against small-business owners nor be detrimental to independent retail pharmacy; and (d) any savings to be achieved in the medicaid appropriations must be real, not merely a shell game which shifts additional economic burdens to pharmacy providers or non-medicaid customers.

The store owner must be conservative, be proud of our profit system and have an adequate return on the investment; consequently, our owners support the elimination of the fee for services reimbursement and legislation requiring States to pay marketplace prices for prescription drugs. Marketplace prices would enable pharmacies to be reimbursed for the services and products supplied. Medicaid patients would benefit because more independent pharmacies would remain in business and available to provide needed services.

NARD recommends a direct payment approach for these products and services. Possible models include the following: (a) Coupons such as those provided by the USDA for the purchase of food; (b) health care vouchers drawing on concepts such as those of the Gephardt Competitive Health bill, H.R. 850; (c) retail vouchers redeemable for products under the Federal program for Women, Infants and Children (W.I.C.); (d) the Delaware Prescription Drug Draft program under which eligible persons submit a check to the pharmacy provider which is endorsed and deposited the same as any check received by the provider from a patient for pharmaceutical services. The draft, however, cannot be cashed; or (e) the Alabama pharmacy bank draft or instant pay program utilized from 1970–77.

NARD believes that reliance on market forces will yield savings. The high administrative cost of the pharmaceutical services program, relative to the cost of the services, could be greatly reduced. State medicaid agencies now, in most cases, contract with a private company to administer the prescription drug program. Alabama for years had an instant pay program whereby the pharmacist received reimbursement from the local bank upon presentation of a voucher similar to VISA or MasterCard. The administrative cost under this system was 14 cents per claim. Alabama switched to the system used in other States and now the cost per claim is 53 cents. The chronic problems associated with late payments would be eliminated. Excessive paperwork would be eliminated. Pharmacists are inundated with paperwork. Paul Willging at the Annual Conference on National Legislation and Public Affairs stated that he was shocked to learn from HCFA data that pharmacists are burdened with 50 percent of all the paperwork in the entire medicaid program. Competition would be enhanced and prudence among medicaid recipients would be encouraged. Likewise, fraud and waste made possible solely because of the unnecessary, complex way in which the program has been implemented would be eliminated.

NARD also supports the following interim steps until the fee for service reimbursement is eliminated: (a) Full implementation of the "Cost of Filling a Prescription" surveys; (b) interest and penalties for late payment; (c) compensation for the variety of services—in addition to prescriptions—actually provided by professional pharmacies; and (d) reinstatement of the recently revoked 60-day public notice for State changes in medicaid reimbursement method or level of reimbursement.

Last, it is absolutely essential to assure that the providers of services in such a competitive market as retail drugs, have a key role in the design, operation, and administration of the medicaid program.

In the past, a small group of career bureaucrats—most who never met a payroll in their lives—have met behind closed doors, without pharmacy provider insight, and developed medicaid policy, legislation, and excessive regulations.

Without such an opportunity to participate in the fashioning of the medicaid program, providers, such as our members, will be left totally to the whim of unrestrained bureaucrats.

NARD seeks the support of the subcommittee for our recommendations and pledges to assist its members and staff in the refinement of our proposals to make medicaid more cost-effective.

We will submit for the record summary information on our position.

In summary, the present reimbursement mechanism is extremely complex, and it doesn't have to be.

To put it in Arkansas terminology, Senator, it's eating our lunch.

Senator SCHMITT. Thank you, sir.

Senator RUDMAN. Thank you very much.

[The document follows:]

SUMMARY OF THE NATIONAL ASSOCIATION OF RETAIL DRUGGISTS

One: NARD is the sole advocate for the exclusive interests of 30,000 owners of independent retail pharmacies which fill 70 percent of all prescriptions, including nearly 90 percent of the medicaid prescriptions and serve 18 million consumers daily.

Two: NARD opposes the Reagan administration fiscal year 1983 proposed 3 percent reduction in the medicaid prescription drug program.

Three: NARD commends the administration for not resurrecting the retail volume purchase plans like that recently terminated for inherently excessively high overhead in California.

Four: NARD recognizes that medicaid cannot succeed without a drug program. When such services are widely available hospital, nursing home, and physician costs are considerably reduced.

Five: NARD recommends elimination of the fixed fee for service reimbursement for medicaid pharmacy prescriptions and endorses instead markeplace reimbursement through direct payment drawing upon voucher-like payment in H.R. 850, the W.I.C. program, food stamps, the Delaware prescription program, the Alabama bank draft on "instant pay" program, and other comparable models.

Six: NARD recommends this program because it would eliminate the high administrative cost associated with the fixed fee and late payments and would improve competition among providers and encourage prudence among medicaid recipients.

Seven: NARD likewise agrees that retention of recipient/patient freedom of choice as to pharmacy provider is essential not only to assure access to quality care but to assure maximum reliance on market forces that will yield taxpayer savings.

Eight: NARD supports as interim measures: The full implementation of the "Cost of Filling a Prescription" surveys; interest and penalties for late payments; the reinstatement of the recently eliminated 60-day public notice for State changes in reimbursement method of level of reimbursement (See H.R. 4534) and compensation that reflects the variety of services—in addition to product—actually provided by professional pharmacies. Pharmacy provider input is essential to fashioning a successful program.

NARD seeks the support of the committee for our recommendations and pledges to assist the members and staff in the refinement of our proposals.

STATEMENT OF JOHN P. ABBOTT

Mr. ABBOTT. Senator, I am here representing the National Council of State Child Support Enforcement Administrators, which is comprised of all State directors nationwide who administer the child support enforcement programs in this country.

I'm John Abbott. I'm also here on behalf of the National Family Reciprocal Support Association, which has 5,000 members nationwide, who are also practitioners in the field of child support enforcement.

I think, Senator, that we are all concerned with the escalating welfare rules in this country; particularly in the AFDC area. What may not be realized in many instances, however, is that 85 percent of the individuals that are involved in AFDC case loads are there because they receive little, or they do not receive enough child support from the father of the children.

The administration has made a proposal that will entirely restructure the financing of the child support program as we know it in this country today.

What I would like to emphasize to this committee is that you currently have a very good program that is making giant gains annually in their collections; that over the past 6 years, have located 3 million absent parents; that have established 650,000 paternities; that are collecting $6 billion over that period of time at a cost of $2 billion.

We currently have a situation in this country where over 550,000 children are born every year out of wedlock. This program was instrumental last fiscal year in establishing paternities on 144,000 of those children. We believe that this has a significant social value.

In addition, the non-AFDC child support enforcement provisions of this program, it's estimated that that provision saved $244 million last year; as an indirect-type benefit. As an offset to welfare assistance.

Under the administration proposal, we are very concerned, Senator, that many of these enabling kinds of things that we are doing presently will be lost. The proposal that they have put forth provides no incentive whatsoever for the interstate enforcement aspect of our work.

There is no recognition for the high cost of establishing these paternity cases. The collections for the non-AFDC program are totally ignored. But the expenses are accounted in full.

There is a variable funding mechanism that is put in place that can be changed at the whim of the Secretary every 2 years. This effectively prohibits the States from doing any substantial planning in regards to their programs.

We would appeal to you to consider this legislation and hopefully come to the same conclusion that we have, that it is certainly not needed.

Over the past 2 years States have passed comprehensive new laws that will enable them, as we go down the road here, to maximize their collection effort; to further reach in their case loads and get these delinquent fathers to pay their child support.

Also, we believe that the recent provision passed by the Omnibus Reconciliation Act, that allows us to intercept tax refunds on errant, absent parents will be a substantial boon to this program.

It's estimated by HHS originally that this would only net $23 million nationwide. Well, they have subsequently changed their estimate. Now it's up to $100 million.

I read a press release the other day from the Internal Revenue Service. Based on their figures, it looks like $175 million as a conservative estimate. We believe that the actual figure may be as high as $400 million.

Well, it should be apparent, we hope, that with this kind of potential for revenue coming in, this is not the time to cut back on a program that is doing so much toward building an ethic in this country, that children have a right to be supported by both parents; not by the Government.

We would appeal to this committee to take a very close look at this situation; to perhaps consider any changes in the child support program down the road at the same time the larger issue of the whole swap program is considered.

I thank you for allowing us to be here today. And if there are any questions, I would be most happy to answer them.

Senator RUDMAN. Thank you very much. I appreciate your testimony.

STATEMENT OF JOHN R. WITHERS

Mr. WITHERS. Thank you. I am in charge of the refugee education programs for children, part of the school district in Portland, Oreg., and I will be testifying about refugee children's education.

As you may already know——

Senator RUDMAN. For the record, would you just identify your full name?

Mr. WITHERS. John Withers.

As you may already know, the State of Oregon has only 1 percent of the Nation's population, but currently has 3 percent of the Nation's refugees. Refugees are not evenly distributed around this country, nor within States.

Within our State, our district has 11 percent of the State's children in schools, but 65 percent of the State's refugee children, and 80 percent of those refugee children who are considered to be low skilled.

Five districts in our State have 95 percent of all of the refugee children within the State.

Over the past 2 weeks, and for the entire last 2 days, I have been meeting in person and by telephone with representatives from the State Department, Office of Refugee Resettlement, U.S. Coordinator's Office, State refugee coordinators, local school district officials, and members of the Appropriations Subcommittee staff.

What I have been trying to do is to get a balanced picture from the Federal, State, and local level, about refugee children's education needs. I would like to share with you some of the things that I have found.

I have learned that the diversity of refugee children in this country is very great, both in terms of their ethnicity, their educational needs, and in their geographical distribution.

Some children arrive in the United States with three languages, very high educational background, and have very little need of support. Other children arrive nonliterate, their parents nonliterate, no formal schooling experience. They need a lot of support.

I have found that although the refugee program is a national program, in reality 10 States resettled 75 percent of all the refugees brought here.

In terms of refugee resettlement dollars spent on refugee children's education, I have learned that formal programs of support for those children are really only implemented by districts which have either large numbers of non-English speaking refugee children, or high percentages; districts with small numbers and low percentages use existing staff: teachers, resource teachers, title I aides, and speech pathologists. They do not hire additional staff to provide services.

I have found a general agreement at all agencies that the Federal Government is responsible for bringing refugees here and is responsible for assisting in the transmission of those refugees into our society.

I have, however, found little recognition of the fact that although 100 percent of the cash and medical costs of refugees in the first 18 months is reimbursed to the States, current allocations from the present fiscal year are only reimbursing the Portland school district for 5 percent of the total costs of educating refugee children and only 16 percent of the excess costs for those children.

Our district is spending $3.5 million of its own local tax base money for their education and is getting only $400,000 from the Federal Government.

I have learned that there is a division between budgetary authority in HHS, and program authority in the education department for refugee children programing.

I believe that this division has caused, or at least contributed significantly to a lack of support for refugee children's education and the very low levels of funding that we have been receiving over the past 3 years.

I have also learned that HHS attempted to give the authority for fiscal year 1983 budget to the Education Department. When the Education Department submitted a budget request for refugee children's education, it was turned down by OMB, who said that due to the Refugee Act of 1980, it did not have such authority.

That is a clear case of catch 22, and the net result right now is that neither ED nor HHS has $1 in refugee education funding for fiscal year 1983.

I would like to make four suggestions. The first one is to have a recognition of the inequity in the Federal support for refugee resettlement and have that recognition supported by the 1983 fiscal year budget appropriation in realistic terms for refugee children's education.

Second, I would like to recommend that budgetary authority and programing authority be placed within one department. I would suggest the Education Department might be the best place to do that.

I would further suggest that due to the strong winds of political differences within the Office of Bilingual Education that possibly that office may not be the best place within it to put the Refugee Children Education Act services.

Third, I would like to recommend that whatever office does have authority, budgetary and programmatic, that it be required to develop guidelines in consultation with those 10 States which have 75 percent of the refugee children in order to come to a common consensus as to what the highest needs are. I have specific recommendations in my written testimony as to how to do that, and how to measure an impacted area.

Last, I would ask some assistance to the Office of the U.S. Coordinator to draw up a comprehensive plan for refugee resettlement in this country with those 10 States currently most highly impacted by refugees, so as to get some agreement for the first time, I believe, on priorities, allocations, and guidelines in cash and medical, social services, and education funding.

I would be happy to answer any questions you may have. Thank you.

Senator RUDMAN. Thank you very much. I thank the entire panel. Your testimony, I'm sure, will be read. Your statements will be inserted in the record at this point.

On the record, I will say to the gentleman from Portland, obviously that is a problem that we have heard a number of times, particularly from those of the 10 States that you mentioned.

There's a heavy impact. Some States such as yours, certainly the State of Florida has had some serious problems. I would expect knowing the residency of the chairman of this full committee that there will be some action taken in that area.

Mr. WITHERS. I would hope so. Thank you.

[The statements follow:]

STATEMENT OF JOHN P. ABBOTT

Introduction

Mr. John P. Abbott is appearing before the Senate Committee on Appropriations to express the views of the National Council of State Child Support Enforcement Administrators in relation to the fiscal year 1983 Administration budget proposal as it affects Child Support Enforcement. Mr. Abbott is the current President of the National Council and is Director of the Office of Recovery Services, the parent organization for Child Support Enforcement in the State of Utah.

Federal participation in child support began in 1975 with the enactment of Title IV-D of the Social Security Act (P.L. 93-647). Maintaining a child support program became an individual state eligibility requirement to receive federal match grant funding in the AFDC Program. Federal financial participation was provided for 75% of the administrative costs of running the child support program. The remaining 25% would be provided by the state and/or local government.

There are two types of collections and disbursements involved with the child support program. Both facets of this program are mandatory and all states participate in both to widely varying degrees. First, collections are made for individuals receiving AFDC which are distributed back to the state and federal governments for subsequent disbursement to be applied against AFDC costs. These collections are distributed between the two based upon the matching grant rate which the federal government provided to each state's public assistance program. This rate varies between states, and ranges from a 50/50 to 77/23 federal/state split. Second, collections are made for individuals who are not receiving AFDC. These are sent directly to the custodial parent. Neither the state nor the federal government receives any portion of these collections, but the collections significantly reduce the potential for AFDC eligibility in many cases. We have been told that in the Sixth Annual Report to the Congress, the statement is made that $244 million in cost avoidance has been saved through the Non-AFDC support enforcement programs by the Department of Health and Human Services, Office of Child Support Enforcement.

To encourage cooperation between the various states and political jurisdictions the federal government has also provided for a 15% incentive payment on AFDC collections made by one jurisdiction for another. This 15% was taken out of the federal share of collections. In addition to establishing standards for child support unit operations, the nationally based Office of Child Support Enforcement has promulgated regulations covering the maintenance of case records, the establishment of paternity, the locating of absent parents, the enforcement of support, and the use of cooperative agreements among the states. The operation of the program is left to the state child support units which are required to function within the parameters of local law; some under state statute, others under county prerogatives.

In 1980, $603 million was recovered from the parents of children receiving AFDC. While this recovery effort represents a step in the right direction, many barriers still exist which prohibit effective and efficient child support collections. The problem has primarily been one of a lack of laws to deal with the 30-50% of absent parents who cross state lines to avoid payment of support. Nationally, only 11.3% of the absent parents whose children receive AFDC are actually paying child support. If that 11.3% average could be doubled, the total amount recovered would be nearly $1.2 billion per year. Reliable data now exists which indicates that the figure can be doubled. A number of states are already receiving payments on over 20% of their cases.

As the program has grown there is no doubt that the Federal matching of 75% and financial incentives of 15% have assisted states and jurisdictions to launch programs which are curtailing the growth rate of AFDC. This is particularly true in low grant states, where thousands are removed from the AFDC roles monthly as a direct result of child support enforcement efforts. Other elements, such as the establishment of paternity and interstate cooperation, are also beginning to receive the attention they deserve. These accomplishments demonstrate that continued support at the national level will result in future growth and success in the program.

It is worthwhile to note that funds collected in the Non-AFDC category are refunded directly to families not on public assistance. It is estimated that of these families, 22% or more would be on public assistance if the collection service were not in place. This translates into a substantial savings in AFDC, food stamp, and medical assistance expenditures and is part of the basis for the estimate that $244 million was saved last year through these efforts.

The AFDC collections are distributed back to the state and federal governments in proportion to the AFDC participation rates. These monies help to offset the direct costs of the public assistance programs. The growth of the return has been 296% from 1976 to 1980.

Given the dramatic rise of illegitimate births in the nation, it is becoming increasingly important to establish paternity for as many children as possible. The success in this program helps children in many ways. Establishing paternity for children, that is, legally identifying the father, helps to eliminate the stigma associated with lack of paternity. It also establishes potential social security and veteran's benefits and potential inheritance rights. Since the first year of the Title IV-D program, the increase of 982% in this area serves as an excellent example of the programs long range impact to society.

Future Prospects

With a description of the history and successes of the Child Support program having been given, the issue at hand is the financial restructuring proposal currently being advocated by the Administration in their 1983 budget proposal.

The financial restructuring proposal, as it is understood at this time by this organization, is a drastic departure from the funding base that has helped us achieve the current measure of success. We believe that the inroads that have been made to further enhance the program will be in serious jeopardy should the restructuring proposal be adopted.

The current Federal Financial Participation (FFP) rate allows for 75% federal reimbursement for costs incurred in the efforts to collect child support by the state or local government whether intra-or interstate.

In addition to the 75% FFP, the Congress has seen the need to create an incentive program for counties and states for having aggressive collection programs. In this scheme, a state or county can receive an additional 15% incentive payment for funds collected in AFDC child support cases. The 15% comes from the federal share of the AFDC monies distributed back to the programs. One outstanding feature of this funding program has been a rapidly increasing degree of cooperation among states and counties, i.e., a "profit motive." For example, if an absent parent resides in a state other than that of the children (who are on AFDC or the Non-AFDC Child Support Enforcement program), the state having jurisdiction over the absent parent and making the collection receives 15% of the gross collection amount and 75% FFP for the effort. The state referring the case receives the share of AFDC FFP funds, and the federal government receives its portion. Therefore, the reciprocity taking place among jurisdictions is positive. The state doing the actual enforcement action can generally afford to allocate sufficient resources to maintain a successful program and also handle the referral work from other states.

The current financial system has also stimulated states to implement effective programs. While federal legislation has played an important role, states have initiated and passed many laws in support of the program. In fact, more legislation has been passed in the last 18 months in support of the child support concept than ever before in the history of the nation.

State Legislatures have recognized the social and monetary benefits of strong programs. In part, state and county participation has been engendered through the current funding mechanism.

Under the administration's restructuring proposal the impact upon the various states' programs would spell the demise for some, drastic curtailment in the effectiveness of others, and for a few, increased profits.

Some of the problems that we foresee with this restructuring are:

(1) The proposal provides no incentive for states and jurisdictions to perform interstate enforcement work. Therefore, it is presumed that this aspect of the Child Support Enforcement program would almost completely terminate. The results would be havens where irresponsible absent parents could avoid their child support obligations. Many of these absent parents are highly mobile and would have little difficulty in relocating to avoid support payments. In many cases this could be accomplished simply by crossing state boundaries, even within the same city. Even with the present funding system there are problems with the interstate reciprocity. The proposal serves to exacerbate this situation.

(2) The efforts towards establishment of paternity will undoubtedly suffer under the restructuring proposals. Paternity cases often involve protracted court involvement and are generally not "economical" to work. The formula allows no latitude for the difficulty and expenses of these cases. Given the statistical data previously mentioned (17% of the nation's births are "out of wedlock"), the social and economic good provided would be critically impaired.

(3) The Non-AFDC support enforcement program would be seriously set back. While the proposed formula does consider the costs of administering this portion of the program, none of the collections or the avoided costs (by diversion from the AFDC public assistance program) are considered or rewarded. With no recognition of the positive impacts of this portion of the program, many states would be under financial

constraint to retreat from this effort. The cost avoiding nature of the program would deteriorate, resulting in an escalation of the AFDC rolls. To compound this problem, the recent cutbacks in AFDC funding of the "30 and 1/3" working mothers incentive program, the 150% cap, and other measures, have made former AFDC recipients reliant on this program in the hope of getting the child support they are due. Thus, their desperation may be compounded because there may not be a helping source for the collection of child support, the obvious result being their return to the AFDC rolls!

(4) The Federal government has assumed, erroneously in our opinion, that the program will remain at the current level in spite of the restructuring proposal and, therefore, the $100 million will be saved. Numerous discussions and letters from actual practitioners in the field seriously challenge this assumption. Many states indicate they will almost be put out of business by the new funding approach. What now is a statewide enforcement program may become little more than a skeleton crew at a State office trying to assume a responsibility formerly handled by many more trained staff. The reason for this impact is that many counties will withdraw from the program when there is no longer a financial incentive to do the work. The Federal government has failed to adequately take into consideration the profit motive that the states and counties have had in the development of this program. With this profit motive eliminated, or more accurately, made very obscure, many of the jurisdictions who contract with their counties for child support enforcement will drastically cut back their efforts unless the state guarantees to hold them harmless. Most states cannot afford to do this.

Conclusion

Considering the relatvely short life of the Child Support Enforcement program (six years), much progress has been made. It seems incredible to the practitioners at the state level that a program which has returned over $6 billion at a cost of $2 billion should be the target for budget cuts. The program is making significant strides toward restoration of financial responsibility among absent parents. In 1975, this concept was highly hypothetical. Today it is becoming a reality. Over the years the states and Federal government have been in partnership in passing legislation and developing programs directed to achive this goal.

The program, both on the national and state levels, is on the threshold of astounding success. To avoid expending $100 million in one year (Fiscal Year 1983) sounds very appealing. It is our belief, however, that closer scrutiny will reveal that this is a shallow and short-sighted approach. The adage, "If it isn't broken, don't fix it," applies to this situation.

The National Council of Child Support Enforcement Administrators believes that the proposed financial restructuring of the Child Support Enforcement program should be rejected. Your favorable consideration to allow the current structure to remain in place will insure continued growth of this socially and financially responsible program. We would encourage the passage of laws which will be beneficial to the program and restoration of an ethic that children should be supported by their parents, not the government. To this end a national wage assignment law is recommended. This type of legislation, already law in a number of states, would yield over $100 million. The courts are also inundated with civil child support related matters, when the truth of the situation is that these matters could be handled in most instances very adequately through an administrative process which assures appeal to a judicial court in the case of dissatisfaction with the administrative ruling. This process nationwide would save over $200 million. This process has been incorporated by fourteen states. In summary given more resources we will deliver many times the $100 million needed.

Statement of Charles M. West

I am Charles West of Little Rock, Arkansas. I serve as Chairman of the NARD Third Party Programs Committee and am the immediate past Chairman of the NARD Legislation and Government Affairs Committee.

The National Association of Retail Druggists (NARD) represents owners of more than 30,000 independent pharmacies, where over 75,000 pharmacists dispense more than 70 percent of the nation's prescription drugs. Together, they serve 18 million persons daily and provide nearly 90 percent of the Medicaid pharmaceutical services. NARD has long been acknowledged as the sole advocate for this vital component of the free enterprise system.

NARD members are primarily family businesses. They have roots in America's communities. The neighborhood independent druggist typifies the reliability, stability yet adventuresomeness that has made our country great.

As owners of independent pharmacies, our members are committed to legislative and regulatory initiatives designed to provide them a fair chance to compete. We especially appreciate the opportunity to appear before the Subcommittee on the proposed Fiscal Year 1983 Department of Health and Human Services and Health Care Finance Administration Appropriations, especially the Medicaid program.

We believe that one of the major strengths in the health care system is the thousands of independent community pharmacies readily accessible to virtually every segment of the population. Any revisions in the Medicaid health care program should capitalize on the strengths of the existing retail distribution network for drugs. It provides maximum access and professional services unknown to non-professional government dispensaries or mail order vendors.

In contrast to most, if not all other Medicaid services delivery systems, competition in retail pharmacies is alive and well. Not only are prescription drug prices well below the general consumer price index for the past two decades, but they are significantly lower than the index for all other medical care reimbursed by Medicaid:

Since 1960 CPI up for:	All consumer prices:	178%
	Medical care prices:	236%
	Prescription prices:	34%

We maintain this is significant evidence that our members, who are filling 70 percent of the nation's precriptions, have kept faith with the public and the government. We further submit these results emphasize that American competition is still a tribute to our democracy. Competition is an incentive for efficiency and the price competition in retail pharmacy is greater than can be found among the other providers of health services.

REAGAN MEDICAID PROPOSALS

We find the low priority assigned to the Medicaid pharmacy program by the Reagan Administration FY '83 HHS budget troublesome. The proposed 3 percent reduction must be rejected as short-sighted.

Even if one were to disagree with our assessment of the cost-effectiveness of this Medicaid component little savings could be realized by reductions in this area. The Congressional Budget Office, for example, in its recent "Medicaid-Choices, for 1982 and Beyond" concluded that the total medical optional services, of which drugs is only one, have had little effect on total Federal Medicaid cost. If savings are to be realized they must be found in the components that have kept the medical price index, while ahead of the general consumer price index, not prescription drugs.

We commend the Administration for not resurrecting the theoretical volume purchase plans, like that recently terminated for inherent excessive overhead in California.

Additionally, some aspects of the '83 proposal, which shift administrative activity to the states, seem inconsistent with the '84 proposed swap of Medicaid and the AFDC and Food Stamp programs. In any case, NARD views fair compensation for our products and services as essential whether or not Medicaid is Federalized. Medicaid could not succeed without this preventative service that helps to cut Medicaid hospital, nursing home and physician expenditures.

PHARMACY REIMBURSEMENT

Today there are many problems confronting independent pharmacies serving Medicaid patients.

States reimburse pharmacists on a product-cost plus dispensing-fee basis. Fees are determined by state Medicaid agencies. States are required by regulations to conduct surveys of costs of filling prescriptions; but, since they are not required to use the survey data, states can establish fixed dispensing fees at whatever rate they choose. To date, fixed fees have always been below the average dispensing cost.

When states do use required surveys, it is not rare for dispensing fees to be three years out-of-date by the time increases are granted.

Further, services we provide Medicaid patients are not paid for by Medicaid. Services such as 24-hour emergency prescription service, free delivery, maintenance of patient profiles and consultations are of no value where Medicaid is concerned. Yet, Medicaid patients expect and depend upon these services, the same as cash-paying customers. By not recognizing these services in reimbursement to the pharmacist, the Medicaid agency thus relegates the Medicaid recipient to the status of a second class citizen. Additionally, states never consider reasonable profits or return on investment, for there is no compensation for the investment pharmacists have in inventories, fixtures and buildings.

PAYMENT - DELAY

After pharmacists fill prescriptions and submit claims to the state, they must wait for reimbursement. HCFA has promulgated regulations requiring states to pay 90 percent of all "clean" claims within 30 days. However, since these regulations have no enforcement provisions, when a state runs out of money, as a number of states have, pharmacists are being asked to continue underwriting the Medicaid system until money becomes available. Because of a shortfall in the State of Missouri's budget, for example, pharmacists were recently reimbursed only 85 percent of the total dollar amount of their claims. Medicaid was not designed to be a charity for states. It was designed to provide health care to those families who cannot afford it and allow reasonable profits to providers of Medicaid services. Considering the rate of inflation in the past decade there is no doubt that Medicaid has seriously short-changed pharmacy providers.

IS THERE A BETTER WAY

We believe there is a better way. We are in the process of analyzing the problem of overall pharmaceutical costs, not only to recipients of Medicaid but to the general public as well. We have established the following criteria: a) Any cost-reduction program should not disrupt the present cost effective drug-distribution system which has provided our nation the best health-care record in the world; b) Medicaid patients must not be relegated to positions of second-class citizenship by being denied freedom to select their own health-care providers and choose the sources of their prescription drugs and pharmaceutical services the same as any other citizen; c) To be acceptable, any cost-reduction program should not discriminate against small-business owners nor be detrimental to independent retail pharmacy; and d) Any "savings" to be achieved in the Medicaid appropriations must be real not merely a shell-game which shifts additional economic burdens to pharmacy providers or non-Medicaid customers.

The store owner must be conservative, be proud of our profit system and have an adequate return on the investment; consequently, our owners support the elimination of the fee for services reimbursement and legislation requiring states to pay marketplace prices in the Medicaid pharmacy program. Marketplace prices would enable pharmacies to be reimbursed for the services and products supplied. Medicaid patients would benefit because more independent pharmacies would remain in business and available to provide products and needed services.

NARD recommends a direct payment approach for pharmacy products and services. Possible models include the following: a) Coupons such as those provided by the USDA for the purchase of food; b) Health care vouchers drawing on concepts such as those of Gephardt Competitive Health bill, H.R. 850; c) Retail vouchers redeemable for products under the Federal program for Women, Infants and Children (W.I.C.); d) The Delaware Prescription Drug Draft Program under which eligible persons submit a check to the pharmacy provider which is endorsed and deposited the same as any check received by the provider from a patient for pharmaceutical services; or e) The award-winning Alabama pharmacy bank draft or "instant pay" program utilized from 1970-1977.

NARD believes that reliance on market forces will yield savings. The high administrative cost of the pharmaceutical services program, relative to the cost of the services, could be greatly reduced. State Medicaid agencies now, in most cases, contract with a private company to administer the prescription drug program. Alabama for years had an instant pay program whereby the pharmacist received reimbursement from the local bank upon presentation of a voucher similar to VISA or Mastercard. The administrative cost under this system was 14¢ per claim. Alabama switched to the system used in other states with a cost per claim exceeding 50¢. The chronic problems associated with late payments would be eliminated. Excessive paperwork would be eliminated. Pharmacists are inundated with paperwork. The Deputy Administrator of HCFA, Paul Willging, told the 14th Annual Conference on National Legislation and Public Affairs* that he was shocked to learn from HCFA data that pharmacists are burdened with 50 percent of all the paperwork in the entire Medicaid program. Competition would be enhanced and prudence amongst Medicaid recipients would be encouragd. Likewise, fraud and waste made possible solely because of the unnecessary, complex way in which the program has been implemented would be eliminated.

NARD also supports the following interim steps until the fee for service reimbursement is eliminated: a) Full implementation of the "Cost of Filling a Prescription" surveys; b) Interest and penalties for late payment; c) Compensation for the variety of services - in addition to prescriptions - actually provided by professional pharmacies; and d) Reinstatement of the recently revoked 60-day public notice for state changes in Medicaid reimbursement method or level of reimbursement.

Lastly, it is absolutely essential to assure that the providers of services in such a competitive market as retail drugs, have a key role in the design, operation and administration of the Medicaid program.

In the past, a small group of career bureaucrats - most who never met a payroll in their lives - have met behind closed doors, without pharmacy provider insight and developed Medicaid policy, legislation and excessive regulations.

Without such an opportunity to participate in the fashioning of the Medicaid program, providers, such as our members, will be left totally to the whim of unrestrained bureaucrats.

NARD seeks the support of the Subcommittee for our recommendations and pledges to assist its Members and staff in the refinement of our proposals to make Medicaid more cost effective.

*March 9, 1982 - Washington, D.C.

STATEMENT OF JOHN R. WITHERS

My name is John Withers and I direct English as a Second Language and Bilingual Program services for refugee students in grades K-12 in Portland School District. Since 1975 my professional energies as well as a good deal of my private life have been devoted to the education of Southeast Asian refugees. I have served as both a teacher and a director in programs for university, secondary and elementary students. During this time I have collaborated with other educators in the Pacific Northwest and across the nation to develop programs and review federal guidelines for non-English speaking refugees.

My purpose in appearing before you today is to propose a reasonable case for the appropriation of federal funds in the 1982-83 school year budget for refugee children's education.

The resettlement of refugees in the United States is a federal program. It developed as a result of U.S. foreign policy considerations. Neither Portland nor any other city or state was asked to participate. Federal refugee policies and the actions of voluntary agencies have determined the degree to which states, cities and local governmental agencies like school districts, have found it necessary to become involved in the refugee program.

As Portland's refugee student population has increased from near zero in 1975 to 3,700 or 7% of the total student population by October, 1981, the Portland Public School District's commitment to the education of refugee children has also increased. Local funds have been used to develop appropriate curriculum and instructional support models for refugee students of limited English proficiency.

Although designing and implementing refugee education programs has been an extremely rewarding task, it has been fraught with several inherent difficulties:

> First, federal programs for limited English students have generally targeted the Spanish speaking population. When the Southeast Asian refugee student influx began in 1975, there were few trained teachers and inadequate instructional

materials and models to deal with the needs of limited English students from Vietnam, Cambodia and Laos. School districts had to develop their own ways of coping with these students. In fact, one of the greatest hindrances to the development of local programs for refugee students was the federal guideline for the education of high concentrations of Spanish speaking limited English students. This guideline was indiscriminately applied to the low concentrations of Southeast Asian students around the country.

Second, the Southeast Asian refugee student influx has been constantly changing both in ethnic composition and student needs. The first wave of refugee students to arrive in Portland consisted of 90% Vietnamese and 10% Laotian and Cambodian. Almost all these students initially were literate and educated in their own countries. Many were already bilingual. Their family educational and cultural backgrounds helped them to meet and often surpass the average American student achievement in two to three years. The fact that American society at that point in history reached out to those students through a combination of compassion and guilt undoubtedly eased their cultural and economic adjustment.

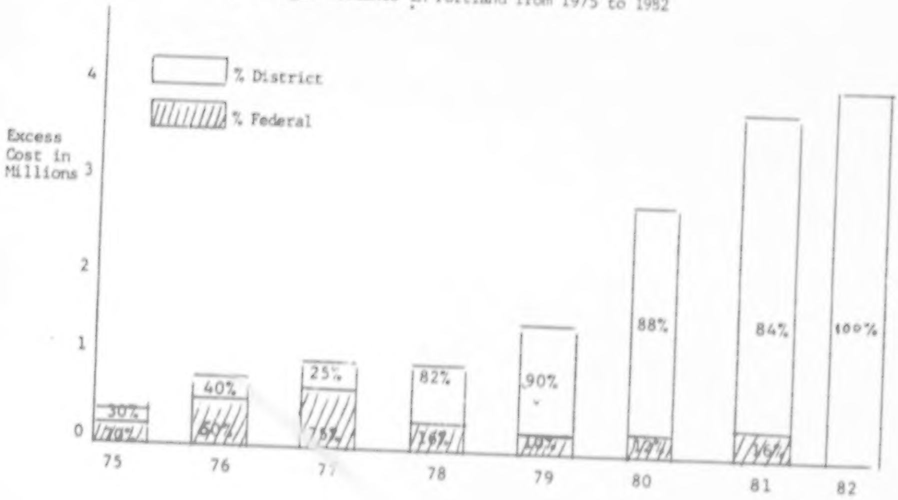
However, by 1979 the second wave of Southeast Asian refugee students in Portland was 65% preliterate and composed of Hmong and Mien students from the hills of Laos with little previous formal eduation. These students could not be served by the same program designed for first wave refugees. They required not only English and access to subject matter in a language they could understand, but also literacy, orientation to the basic concepts of our educational system, which is designed to prepare youth for an urban technological society, and a lot of time! Preliterate second wave refugee students above the age of 14 may require special educational support for four to six years before being able to complete high school diploma programs preparing them to participate in the American economic mainstream.

Third, like many school districts with large numbers of low skilled preliterate refugee students, Portland has had to design special staff training programs and educational support programs.

Funds to support the development and implementation of these programs have almost all come from local tax dollars.

As the following chart indicates, the burden of providing necessary educational support for limited English refugee students in Portland has been shouldered almost totally by the District itself. The costs indicated are only the excess cost for special support. In addition local tax dollars also provide 80% of the basic costs of educating a student in the Portland School District.

Federal Share of Educational Support Services to Refugee Students in Portland from 1975 to 1982



Fourth, although in theory the refugee program is a national program, the reality is that 10 states have resettled more than 75% of the refugees Within those states only a small percentage of school districts have large refugee populations. In Oregon, over 95% of refugee students are enrolled in five of the state's 310 school districts. Portland School District, with only 11% of the states school age enrollment, not only has 60% of the states refugee students, but almost 80% of the low skilled preliterate refugee students! Portland's costs to provide comprehensive educational support services to those students are projected at $4.2 million in the next school year.

Having related what Portland is doing to assist refugee students to become productive members of our society it is necessary to describe what the federal government is doing.

First, during this fiscal year the federal per pupil allocation to Portland for refugee student education equaled about 16% of the cost of special instructional support, but only 5½% of the total costs of their education. This level of financial support is clearly inadequate to meet the short term federal responsibility of transitioning refugees into local communities.

Second, it is my understanding that some $22 million from the fiscal year 1982 refugee children's education funds, found in the Health and Human Services budget, has been approved for transfer to Refugee Cash and Medical Assistance. This is happening at a time when cash and medical assistance, in recognition of the federal responsibility for the refugee program, is already being reimbursed to the states at the rate of 100% for the first 18 months and 100% for the second 18 months for those refugees who qualify under state general assistance plans.

Third, it is proposed that funding for refugee children education be limited to 12 months per pupil or eliminated entirely. Some assume that states, being primarily responsible for education, can pick up the cost and that only a year of special support is actually necessary. Neither of these assumptions is true.

Portland School District currently receives only 20% of its current general fund budget from the state of Oregon. The balance comes from local sources including property tax. Our state legislature, not unlike the current administration, does not have funds to maintain even its present commitment to education. Consequently, Portland is going to ask its voters for an updated tax base seeking an increase of $42 million or roughly 23% of the revenue needed to operate its educational program for the next year. It is clear that we simply don't have the resources at either the local or state level to pick up lost federal dollars.

In addition, the notion that one year of special support for Southeast Asian refugee students is sufficient is not born out by the experience of thousands of educators and tens of thousands of students across the country. Where there are large numbers of refugee students, successful transition to the English curriculum can take two to six years depending upon the age, prior education and concentration of those students.

Recognizing that the refugee program is a federal responsibility, that refugee students need special instructional suport for extended periods of time, that not all states nor all school districts have been equally affected by the cost of educating refugee students and that local districts and states do not have the resources to pick up lost federal dollars any longer, I would like to make the following recommendations regarding funding for refugee children's education for the 1982-83 school year:

1. Continue to fund the refugee children's education program in the next fiscal year at the current $22 million level;

2. Allocate funds to local school districts based on the following criteria, (a) length of time students have been in the United States, (b) student age, (c) students with low skill levels in grades 6-12 as measured by a gap of 3 or more years between the anticipated and actual grades completed and (d) impact on the local school district as measured by the amount of state funding available for the education of limited English students and a minimum number of percentage of such students per district;

3. Allocate funds to state education agencies to assist those districts who do not qualify for federal assistance under 2 (d) above, so that staff training and resource sharing programs can be provided;

4. Shift the administrative responsibility for the education of refugee children to the education department so that competition between social service, cash and medical funding and refugee education funding does not interfere with future budget requests; and

5. Suggest the appropriate federal agency meet with states with the largest populations to assist in developing the final funding formula under which the 1983 appropriation will be allocated.

Without realistic federal financial support for refugee student education, an undue financial burden will continue to fall on those local school districts that have already reached most deeply into their financial and civic resources to meet the needs of resettling refugees. The effect of a reduced federal fiscal responsibility will be increased tension between all disadvantaged groups which are already vying for increasingly smaller social service allocations. The ultimate victims in this particular drama will be those low skilled, preliterate refugee students that have been attracted to the United States by promises of opportunities which this country can no longer afford to provide.

STATEMENT OF EDWARD W. HOOK, PRESIDENT, ASSOCIATION OF PROFESSORS OF MEDICINE, UNIVERSITY OF VIRGINIA SCHOOL OF MEDICINE

Senator Rudman. The last witness is Dr. Edward Hook. He will present testimony on the National Institutes of Health research budget. The other witnesses who were going to testify have chosen to submit their statements for inclusion in the hearing record.

Dr. Hook, welcome to the subcommittee. We'll incorporate your entire statement into the record and would like you to summarize it, if you would.

Dr. Hook. I'm Edward Hook, professor and chairman of the Department of Medicine at the University of Virginia School of Medicine. My testimony is on behalf of the Association of Professors of Medicine (APM), which represents the chairmen of departments of internal medicine in all of the U.S. medical schools. In addition, I am also representing the American College of Physicians (ACP), an organization comprised of 52,000 specialists in internal medicine and related specialties.

The APM and the ACP both have a longstanding interest in the NIH budget. But this year we are more concerned than ever about funding trends in biomedical research.

The graph which I distributed with the material for the committee displays in constant dollars the pattern of NIH funding beginning in 1950 and projected through 1986. The recent decline in real-dollar support is cause for great concern.

As pointed out in a recent Washington Post editorial, "The connection between scientific research and a vigorous economy is hard to measure but impossible to question. Though the payoffs from basic research are unpredictable, it is predictable that payoffs will come." For example, Alexander Fleming could never have guessed, in the space of a few years his interest in a curious fungus, the penicillin mold, would transform mankind's life expectancy. The APM and the ACP find this premise indisputable and agree with the editorialist's conclusion that waning Federal support of basic research "should be a matter of deep national concern."

We are in an era of knowledge explosion in the biomedical sciences. In many areas we are on the brink of advances that hold enormous potential for further enhancing the quality of life. To disrupt this momentum and allow the biomedical research enterprise to gradually decline in strength I think would be shortsighted and costly, both in economic and in humanitarian terms.

In addition to our general dismay with regard to overall funding of biomedical research, APM and ACP are specifically concerned about trends in extramural grant funding. Investigator-initiated grants represent the major mechanism for supporting innovative and creative basic medical research. For several years, there has been a great deal of potential devoted to stabilizing the number of new and competing grants at about 5,000 per year. The APM agreed that 5,000 grants was a reasonable target and that stabilization was an important goal.

Biomedical research is a long-term endeavor that should not be subjected to significant annual swings in funding patterns. Furthermore, instability in funding decreases the attractiveness of a research career, particularly for physicians who have the clear alternative of clinical practice.

Unfortunately, the effort to stabilize new grants has not been successful. In 1979, about 6,000 new and competing grants were awarded. In the current year, the budget reductions resulted in the funding of only about 4,800 grants. Next year's budget calls for a $35 million reduction, in inflated dollars, for new and competing grants, which will mean that only about 3,500 grants could be awarded, a 30-percent reduction in just a 2-year period.

Because of this, the administration has proposed to increase new grants to 4,100 by reimbursing only 90 percent of the negotiated indirect costs associated with all research grants. Although we would deplore a 30-percent reduction in the number of new grants that could be awarded, we also strongly oppose a cap on indirect cost reimbursement as the mechanism to ease the NIH funding problem.

Indirect costs are costs that are incurred by universities that conduct biomedical research for the Federal Government. Research can't be conducted in a vacuum, and, obviously, such items as heat, light, and libraries are inescapable expenses. We feel for the Government simply to shift a portion of these costs to the universities is unfair and inappropriate.

A research-intensive institution might suffer a shortfall of as much as $1 million or more at a time when cutbacks are being sustained in virtually every other area. And we feel that the impact of such a reduction in funding will be significant.

In summary, there is no way to disguise such a substantial reduction in extramural grant support. At present, because of lack of funds, only one award can be made for every three proposals that are approved on the basis of scientific merit. This ratio would worsen to one in four or, as Dr. Bernadine Bulkley mentioned, perhaps to one in five under the proposed fiscal year 1983 budget.

Under such conditions, an enormous amount of excellent science would go unfunded. New and established investigators would be lost to the system, and many aspiring investigators will opt for a less risky career.

We strongly urge this committee to preserve the integrity of extramural research by appropriating an additional $200 million for this program. This would permit the funding of an acceptable number of new awards, 5,000, and would allow full reimbursement of negotiated indirect costs.

Let me emphasize that such an increment would not permit growth but merely allow the biomedical research enterprise to continue at a stable level.

Thank you, Senator, for allowing me to present this material.

[The statement follows:]

STATEMENT OF DR. EDWARD W. HOOK

I am Dr. Edward W. Hook, Professor and Chairman of the Department of Medicine at the University of Virginia School of Medicine. My testimony is on behalf of the Association of Professors of Medicine (APM), the organization that represents the chairmen of departments of internal medicine in the 126 U.S. medical schools. In addition, I also represent the American College of Physicians, an organization comprised of 52,000 specialists in internal medicine and related specialties.

The members of the APM are physician scientists; virtually all of us have had substantial research involvement in our careers. Because of this personal involvement and because of our current responsibilities, we are individually and collectively committed in a deep sense to biomedical research. As chairmen of departments of internal medicine, we have direct responsibility for: 50-60 percent of the teaching of medical students in our schools; a substantial portion of the patient care delivered in the United States; and the majority of the extramural clinical research conducted under the aegis of the National Institutes of Health. It is this last portion of our day-to-day responsibilities that I want to discuss today.

The APM and ACP both have longstanding interest in the NIH budget, but this year we are more concerned than ever before about funding trends in biomedical research. The attached graph displays in constant dollars the pattern of NIH funding beginning in 1950 and projected through 1986. The recent decline in real dollar support is cause for great concern. We sincerely hope this trend can be stemmed, if not reversed. A recent Washington Post editorial (April 2, 1982) stated that "the connection between scientific research and a vigorous economy is hard to measure but impossible to question. Though the payoffs from basic research are unpredictable--Alexander Fleming could never have guessed that in the space of a few years his interest in a curious green fungus (penicillium) would transform mankind's life expectancy--it is predictable that payoffs will come. A strong research enterprise reliably produces technological advance, innovation and productivity growth." The APM and ACP find this premise indisputable and agree with the editorial's conclusion that waning Federal support of basic research in health and other areas "should be a matter of deep national concern." Not only has our investment in health research paid off handsomely in economic terms but also in human terms. The decreasing morbidity and mortality rates associated with such major diseases as hypertension, cancer and stroke make this profoundly obvious. I am sure you have heard it said that we are in an era of knowledge explosion in the biomedical sciences. In many areas of biological science we are on the brink of advances that hold enormous potential for further enhancing the quality of life. To disrupt our momentum and allow the biomedical research enterprise to gradually decline in strength would be short-sighted and costly, both in economic and humanitarian terms.

In addition to our general dismay with regard to overall funding of biomedical research, the APM and ACP are specifically concerned about trends in extramural grant funding. Investigator-initiated grants made to scientists working in medical schools, other research institutes, and industry represent the major mechanism for supporting innovative and creative basic biomedical research. The extramural grant program accounts for approximately half of the total NIH budget and is, in our estimation, the cornerstone of our national biomedical research enterprise. As you know, the annual budget for extramural grants is divided into two categories: funding for on-going grants that were awarded in preceding years and funding for new and competing grants. For several years, there has been a great deal of attention and effort devoted to stabilizing the numbers of new and competing grants. The key element to this effort was the selection of 5,000 as an arbitrary, but generally agreed upon, level of new grants that should be awarded every year. The APM, while slightly uncomfortable with the designation of an arbitrary figure, agreed that 5,000 new and competing grants was a reasonable target and that stabilization of new grants was an important goal. Biomedical research is a long-term endeavor that should not be subjected to significant annual swings in funding patterns. Furthermore, funding instability decreases the attractiveness of a research career--particularly for physicians who have the clear alternative of clinical practice--and the future of biomedical research depends upon a continuing influx of bright and creative young investigators. For all of these reasons, the APM has supported the concept of stabilizing research grants. Unfortunately this effort has not been successful.

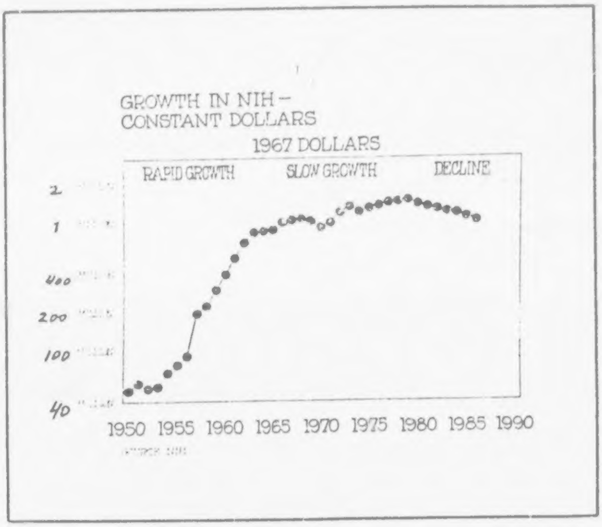
In 1979, approximately 6,000 new and competing grants were awarded. In the current year, budget reductions resulted in the funding of only 4,800 grants. The outlook for next year appears even more grim. The Administration's budget calls for a 35 million dollar reduction (in inflated dollars) for new and competing grants. Because funding at this level would mean that only 3,500 grants could be awarded--a 30 percent reduction in just two years--the Administration proposed to alleviate this situation by reimbursing only 90 percent of the negotiated indirect costs associated with all research grants. The Administration calculated that this proposal would enable NIH to fund 4,100 grants. Although the APM and ACP would deplore a 30 percent reduction in the number of new grants that could be awarded, we strongly oppose this approach of a cap on reimbursement for indirect costs as a mechanism to ease the NIH funding problem. Regardless of which approach is taken--reducing numbers of grants or denying a portion of indirect cost reimbursement--the result is the same: the Federal government is sharply reducing its support of biomedical research.

Indirect costs are real costs that are incurred by universities that conduct biomedical research for the federal government. The rate for reimbursement of indirect costs is calculated according to federal guidelines, and these costs are audited by federal auditors. Research is not conducted in a vacuum; such items as heat, light, laboratory maintenance, and libraries are inescapable expenses. For the government simply to shift a portion of these costs associated with federally-sponsored research to universities is unfair and inappropriate. For a research-intensive institution, the 10 percent reduction would mean a shortfall of a million dollars or more at a time when cutbacks are being sustained in virtually every other area. A shortfall of such magnitude will erode the institutional base that supports research and the consequences--decline of the physical plant, deterioration of laboratory equipment, and shortages of support personnel--will be significant.

In summary, there is no way to disguise such a substantial reduction in extramural grant support. If indirect cost reimbursement to institutions is reduced by ten percent, extramural research will suffer. At present, only one award can be made for every three proposals that are approved on the basis of scientific merit because of lack of funds. This ratio would worsen to one-in-four or one-in-five under the proposed FY 1983 budget. Under such conditions, an enormous amount of excellent science would go unfunded, both new and established investigators will be lost to the research system, and many aspiring investigators will opt for a less risky career. The APM and ACP strongly urge this Subcommittee to preserve the integrity of extramural research by appropriating an additional 200 million dollars for this program.

This would permit the funding of an acceptable number of awards--5,000-- and would allow full reimbursement of negotiated indirect costs. I would emphasize that the addition of 200 million dollars for this purpose would not permit growth but merely allow the biomedical research enterprise to continue at a stable level.

Thank you for this opportunity to share with you the views of the Association of Professors of Medicine and the American College of Physicians. I would be happy to answer any questions.



SUBCOMMITTEE RECESS

Senator RUDMAN. Doctor, thank you very much. We will certainly consider your testimony and the organizations you represent.

The subcommittee will now stand in recess until tomorrow morning at 9:30. We'll meet here in this room to discuss testimony on alcoholism and drug abuse, mental health, and St. Elizabeths Hospital, and the Office of the Assistant Secretary for Health Resources Administration.

[Whereupon, at 5:25 p.m., Tuesday, May 4, the subcommittee was recessed, to reconvene at 9:30 a.m., Wednesday, May 5.]

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